

NEWS: EUROPE

Union offers pay cut for Lufthansa staff

By Christopher Parkes
in Bonn

GERMANY'S DAG white-collar trade union turned traditional negotiating tactics on their head at the weekend with an offer to accept longer working hours and less pay for its high-flying members.

The surprise initiative, revealed yesterday, came at Sunday's preliminary pay talks for the 60,000 employees of Lufthansa, the loss-making state airline, which will shortly announce a cost-cutting programme expected to include up to 10,000 job losses.

DAG, which earlier this year backed the ÖTV union in Germany's longest public-sector strike since the 1970s, said its aim was to help restore Lufthansa's fortunes.

The union's proposal, made after a hard-fought 1992 pay round between unions and employees in all sectors of industry, is the first suggestion that appeals for wage restraint from the government, Bundesbank and economists may have had some impact.

However, Lufthansa is a special case. While many compa-

nies are in difficulties, few can match the national carrier's DM542m (\$370m) loss in the first half of this year, or its expected 12-month deficit of well over DM1bn.

If directors, management and other non-union employees followed the DAG lead, the company could save DM500m a year, the union claimed.

Lufthansa, caught unprepared, said only that the offer "could be an important contribution to the package of measures being prepared by the board". All proposals would be considered at the formal pay talks for the airline's 60,000 workforce which start on August 26, it said.

However, the more militant and far bigger ÖTV union said it saw no reason to change pay standards. It was wrong to put all the blame for Lufthansa's crisis on wages and staffing levels, officials said yesterday.

While it was prepared to co-operate, the priority had to be the company's "uncompetitive structure". Ms Monika Wulf-Mathies, ÖTV president, is deputy chairman of Lufthansa's supervisory board, which meets on August 31 to

vote on the management's cost-cutting plans.

Union leaders have already been given copies of the plan, code-named Programme 93, which spells out the need for drastic economies. Lufthansa officials claim that personnel costs are 30 per cent higher than those of British Airways, and that numbers of administrative staff have increased 47 per cent since 1986.

Full details of the DAG offer were not available yesterday, but they included "adjustments" to overtime pay rates, and the sacrifice this year of the traditional "13th month's pay" Christmas bonus.

In return, the union said employees of the airline's internal flight subsidiary, Lufthansa Express, and its other undertakings should be paid and employed on the same terms as workers in the parent group. Lufthansa staff last night seemed resigned to the need for economies. Several said they appreciated the airline's difficulties and they would be prepared to work more overtime at normal rates and take home less pay if it meant job security.



A French UN soldier is kissed by a resident of Gorazde after a UN convoy lifted the siege on the town yesterday

Swedish opposition seeks EC role

SWEDEN'S opposition Social Democrats want the right-centre government to agree a broad-based bargaining position with them before it starts its negotiating next year with Brussels on the country's future membership of the European Community, reports Robert Taylor from Stockholm.

The opposition's move comes in the face of substantial public hostility towards the EC. Mr Carl Bildt, the country's Conservative prime minister, hopes to complete the negotiations in early 1994 in time for a binding national referendum.

The Social Democratic leadership continues to back Sweden's EC application but questions whether Mr Bildt will defend the country's national interest in negotiations with

Brussels. Many feel he has been too ready to argue that Sweden has no alternative but to join and that this could weaken his negotiating stance. Leading Social Democrats fear unless a bipartisan stance is worked out there will be a "no" vote against Swedish membership in the referendum.

As one adviser in the party said: "If we don't reach agreement on a common position I don't see how Sweden can join the EC."

The initial euphoria at the Swedish application on July 1 last year by the then Social Democratic government has long since evaporated. The Danish "no" to Maastricht earlier this summer increased what was already a growing hostility towards EC membership in Sweden.

A poll at the weekend showed 41 per cent of Swedes saying they would vote against the EC if the referendum was held now. Only 32 per cent were in favour, with 27 per cent undecided. A mere 18 per cent of Social Democratic supporters favour membership.

The Social Democrats' scepticism about the EC has become especially noticeable in the past few days. Mr Allan Larsson, the party's finance spokesman, questioned whether Sweden should accept a common currency within the economic and monetary union envisaged by the Maastricht treaty.

Doubts about the EC inside the main opposition party are also growing over possible Swedish involvement in an EC common security policy.

The end of the cold war led to a reassessment by Sweden of the meaning of their pragmatic neutrality, but many of them do not want to lose the country's right to decide for itself whether to belong to a system of collective security that may emerge inside the EC in future.

Mr Bildt appeared to reassure the Social Democratic leader, Mr Ingvar Carlsson, at the weekend that no serious differences existed between the parties over the issue of security.

But other questions are also crowding onto the Swedish EC negotiating agenda including agriculture, the environment and alcohol policy, where Sweden wants to retain a monopoly system designed to deter drinking.

UK under attack on Yugoslav sanctions

THE British Labour party yesterday stepped up its charges that the government had been slow off the mark in applying the United Nations trade embargo to Serbia, using new figures on the extent of bilateral trade with Yugoslavia, writes David Owen in London.

Referring to Customs and Excise statistics for June, the first month after the UN resolution calling for a trade embargo, Mr Robin Cook, shadow trade and industry secretary, said that trade in a third of all types of goods had increased in comparison with June 1991.

Examples of goods in which trade had increased included imports of iron and steel and exports of telecommunications equipment, Mr Cook said. "It is extraordinary that the government still cannot produce figures to show how much of this trade was with Serbia," he added.

A European Community officials yesterday did not endorse a plan put forward last week by the European Commission to make EC exports to Serbia and Montenegro subject to a triple licensing system, David Gardner adds from Brussels.

The Brussels proposal may, however, go into a broader package designed to reinforce sanctions against the two former Yugoslav republics, UK presidency officials said.

France holds inflation at 2.9%

French retail prices rose by 0.3 per cent last month, keeping the annualised rate of inflation at 2.9 per cent, one of the lowest in the European Community, Alice Rawsthorn reports from Paris.

France is committed to maintaining tight control of inflation as the cornerstone of its economic policy.

July's 0.3 per cent rise compared with an increase of 0.1 per cent in June. France still has a lower annualised rate of inflation than its main trading partners, notably Germany with 3.5 per cent, and the US with 3.2 per cent.

Finnish economy 'on right track'

The Finnish economy does not need outside financial assistance to recover from its present deep recession, said Mr Michel Camdessus, head of the International Monetary Fund, yesterday, after talks in Helsinki with government ministers. Robert Taylor reports from Stockholm.

"The economy is on the right path, its competitiveness has grown better, exports are increasing and inflation is low," added Mr Camdessus. "I can see no situation where Finland needs to come to the IMF for help."

Hungarians and Czechs seek unity

Czech and Hungarian leaders met yesterday in Budapest to salvage central European regional co-operation, the prospects for which have been damaged by the planned break-up of the Czech and Slovak Federation, writes Nicholas Denton in Budapest.

Mr Václav Klaus, the Czech prime minister, and Mr Jozsef Antall, his Hungarian counterpart, committed themselves to the Visegrad group of central European countries and to the goal of a free trade zone - whether of three or four members.

The two premiers took pains to include Slovakia in the process, saying that to isolate it was in no one's interests.

Berlin's red scarf man quits

By Christopher Parkes
in Bonn

THE star of Mr Walter Momper, who shot to international prominence as mayor of Berlin during Germany's unification celebrations, dived below the horizon yesterday.

"The man with the red scarf" resigned as chairman of the city-state's Social Democratic party after a short, sharp clash over his new job as general manager of Ellinghaus, a building and property company.

Complaining of attacks "bordering on vilification", Mr Momper, 47, said he had been surprised by the vigour of the assault and claimed enemies

had seized on his new job as an excuse to get rid of him.

His political leadership had not been brought into question and there were no candidates for his job, he said yesterday. He had recognised the possibility of a conflict of interests between business commitments and political vocation.

Mr Momper gained local fame in 1990 after rallying SPD factions and leading the party to a surprise parliamentary victory over the CDU.

For a brief 20 months, as unification loomed, came and went, Mayor Momper - never without his red scarf - enjoyed popular support.

But off-stage, his wobbly

coalition with the Greens was unpopular with many SPD stalwarts.

Although the CDU formed a government with the Social Democrats, there was no place in it for Mr Momper. Holding on as party chairman, he took a back seat in parliament. Resentments simmered and rivals waited for him to make a mistake. Finally he made two.

While Ellinghaus is above reproach, the Berlin property and construction business is no stranger to scandal and corruption charges. Second, and possibly worse, Mr Momper's new boss, Mr Gert Ellinghaus, is a member of Chancellor Kohl's Christian Democrats.

Defence minister vows to crush rebellion

Death toll in Georgia rises to 40

By John Thornhill in Moscow

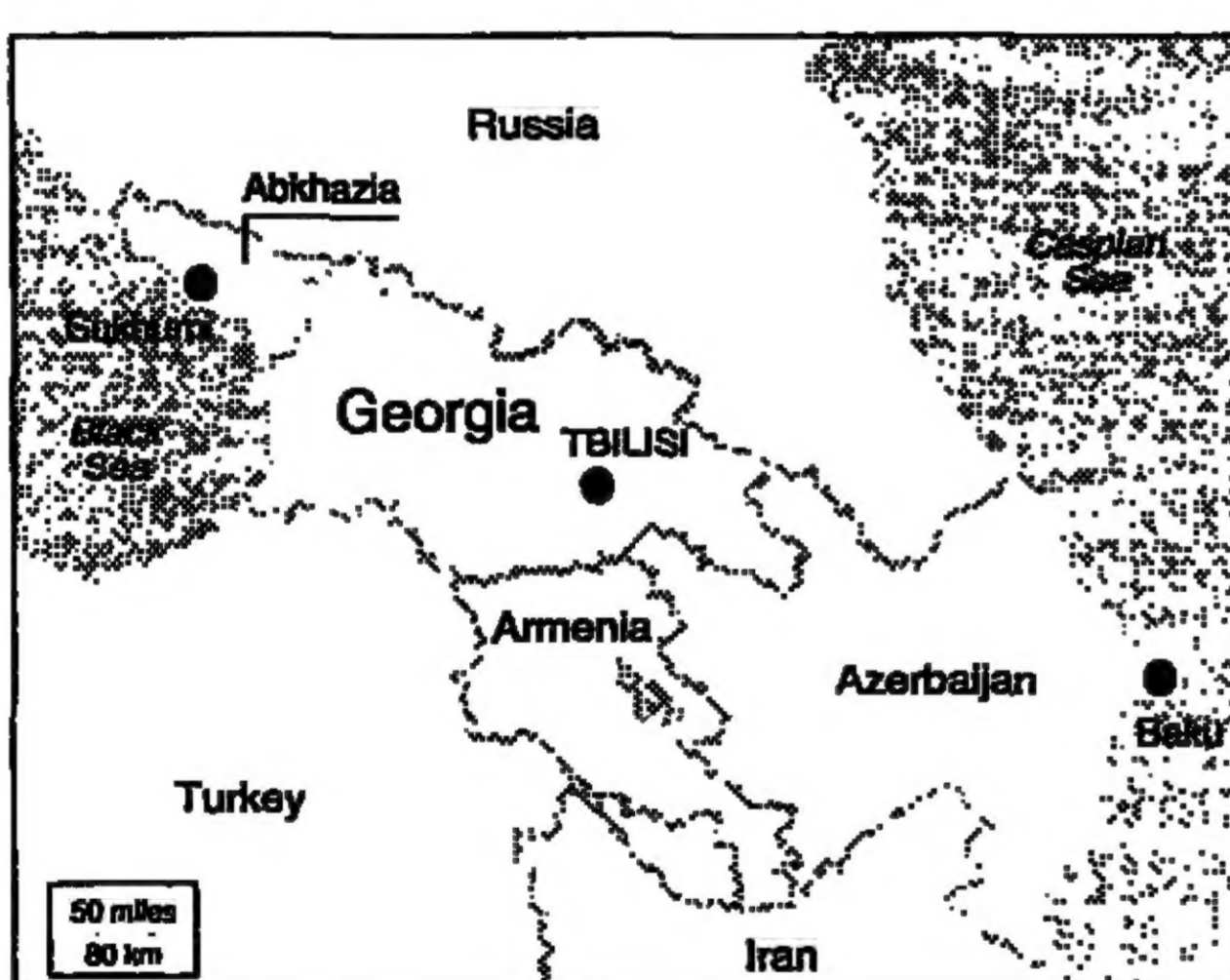
THE death toll in the disputed Abkhazia region of west Georgia rose yesterday to at least 40, with Georgian leaders vowing they would crush the rebellion in renewed military action today.

Mr Tengiz Kitovani, Georgia's defence minister, yesterday demanded the immediate resignation of Abkhazia's parliamentary leader, Mr Vladislav Ardzinba.

"If he declines, we shall move forces into Sukhumi and disband his illegal parliament," he told Reuters at the former dacha of Josef Stalin on the Black Sea coast.

The Abkhazian leadership said they would not back down and appealed to the leaders of the Commonwealth of Independent States and the United Nations to persuade Georgia to withdraw its forces.

Fierce fighting erupted in Sukhumi, Abkhazia's capital,



last week as Georgian forces reacted to the kidnapping of several senior officials, including the defence minister.

Although the officials were subsequently released, Georgia continued to press for the re-

integration of the breakaway Abkhazian region, which declared its independence last month.

The centre of Sukhumi has been ravaged by gun battles as Georgian troops have fought

Abkhazian irregulars. Looting broke out on Sunday night after the two sides began to disengage in line with a fragile ceasefire.

Georgia has put the death toll from the recent fighting at 40. But the independent Interfax newsagency quoted Abkhazian health ministry sources saying that at least 50 people had been killed with more than 200 wounded.

Mr Eduard Shevardnadze, the Georgian leader, is determined to preserve the integrity of the Georgian state both from the rebel region of Abkhazia and the still active forces of Mr Zviad Gamsakhurdia, Georgia's ex-president, who was deposed after a violent revolt in January.

Mr Shevardnadze told a radio interviewer yesterday: "I will do all I can to secure the unity of Georgia. I will be first in the ranks of fighters for every handful of Georgian soil."

Gorbachev urges faster reform drive

By John Thornhill

MR Mikhail Gorbachev, Russia's most famous private citizen, yesterday urged the country's leaders to speed up reform, warning of dire consequences if they failed in their task.

"I lagged behind events and they are doing the same today. If the leaders of Russia and the Commonwealth do not take the initiative, then others will seize it from them," the former Soviet president said.

His warning struck an ominous chord only two days before the first anniversary of the coup that hastened the disintegration of the Soviet Union.

Although Mr Gorbachev thought that only an "idiot or a crazy man" would attempt another coup, he warned of a more gradual and sinister coalescence of anti-democratic forces, threatening dictatorship or some form of neo-Bolshevism.

Armenian president faces stiff protests

By Steve Levine in Yerevan

ARMENIAN President Levon Ter-Petrosian yesterday defended himself against a growing tide of opposition to his handling of the war with neighbouring Azerbaijan.

Last night he won a parliamentary motion of no-confidence after three days of protests in the capital sparked by a series of Armenian setbacks in the war. Observers said that up to 50,000 people attended a rally in Yerevan last Friday, which speakers demanded that Mr Ter-Petrosian resign.

"If I saw Ter-Petrosian, I'd kill him," said Mr Valeri Mirzazian, 46, an Armenian soldier who attended an opposition rally on Sunday night at Yerevan's Liberty Square. "We're not losing Karabakh. We're losing Armenia."

The four-year old war is centred on the Armenian enclave of Nagorno-Karabakh, which lies entirely within Azerbaijan. But the fighting has recently

spilled over into other areas.

The weekend protesters in Yerevan expressed dismay with Azeri success in capturing several Armenian enclaves lying within Azerbaijan. Azerbaijan controls the north of Nagorno-Karabakh, or one-fourth of the enclave. Last week, Azerbaijan also captured the Armenian region of Artsakh.

Mr Ter-Petrosian is thought still to enjoy majority support in the republic of 3.5m people. But "the opposition is growing stronger every day," said a western diplomat in Yerevan.

Mr Raffi Hovannissian, the foreign minister, defended the president's policies, and said Armenia might "reply in kind" to Azeri bombing last week of border villages. Mr Hovannissian also said the government might declare emergency rules "in the immediate future" in those regions bordering Azerbaijan. "Azerbaijan is carrying out a military final solution," he said.

Slow death by a thousand rumours of resignation

John Lloyd on why Russia's foreign minister has been hurt, perhaps fatally, by a campaign of denigration

THE FOREIGN policy of Russia is being conducted by a man who has been injured, it may be fatally, by a campaign of denigration and hostility which has gone so far as to threaten the effectiveness of his actions.

Mr Andrei Kozyrev is increasingly cut out of the important decisions which confront the Russian state in the world. Most recently, he suffered the public snub of seeing Mr Mikhail Pototranin, a vice premier and a confidant of Mr Boris Yeltsin, the Russian president, going to Japan to prepare the way for Mr Yeltsin's trip there next month.

Mr Kozyrev has played little part in arranging the truces - still more or less holding - in the hot spots around the Russian borders. He seems to have no special relationship with Mr Yeltsin and has been unable to find a reliable base in the parliament - whose more active members are pursuing their own international agendas.

He has succeeded in retaining his position for now - but it hangs by a string held by the Russian president. There are many in the foreign diplomatic community who fault Mr Kozyrev on grounds of style and tactics. He has never defined a foreign policy, saying only that "the essence of the concept... is to create a favourable environment for the transformation of Russia" - hardly a help to foreign governments trying to discern a pattern. He has been frenetic in his travelling, as yet to no great purpose.

The attacks on him are not motivated by a desire to replace him with someone diplomatically or strategically more effective.

The main reason for his slow death by a thousand rumours of resignation is that he is out of fashion: he tries to continue a pro-western liberal tradition which had been all the rage in government until a few months ago - but is now on the wane.

Mr Vitaly Tretyakov, editor of the Nezavisimaya Gazeta (the daily voice of Moscow's intelligentsia) wrote in a front page editorial column last month that, were Mr Kozyrev to be forced into resignation, then the only liberals left in government would be the few clustered around Mr Yegor Gaidar, the acting prime minister.

It was all quite different when Mr Kozyrev took over the Russian foreign ministry over a year ago. Then, his rhetoric was based on the assumption that the collapse of Soviet structures would inevitably give the new states the opportunity to advance rational and pacific relations with the rest of the world.

"Our task," he said in an interview last December, "is the Soviet Union collapsed. It is as Andrei Sakharov once said, not to be buried under the rubble of a decomposing empire.... I think that such a threat is more distant now than before."

Less than four months later these words were hollow: the congress of Russian peoples' deputies, meeting in April, saw him as a traitor pre-



Kozyrev (left): no longer Yeltsin's main adviser on foreign affairs

pared to sell Russian interests - and Russian people - to placate the resurgent nationalists in what had been subject races. The congress forced him on the defensive: yet he did not drop his fundamental positions.

The congress made him aware that distrust of him stretched beyond the ranks of the ultra-nationalists and the former Communists, who had made common cause.

His former democrat allies saw him as vacillating: a motion produced at the congress demanding the return of the Crimea from Ukrai-

nian to Russian control was framed by radical democrats.

"What these super patriots are trying to do," said Mr Kozyrev, "is again to make everything a matter of ideology. It's the old Bolshevik mentality: they try to depict me as an enemy of the people, a traitor to the country."

That's why they hate my foreign policy so much: for 70 years we could point to someone and say - there's the enemy - and I am trying to change all that... but I am pessimistic... I think sooner or later we

will have a confrontation on foreign policy."

The confrontation is now upon him, its emotive power drawn from the plight of Russians outside the Russian borders.

In the self-declared Transdniestrian Republic in Moldova, the majority Slavs came under the attack of the Moldovan army (a fragile ceasefire has been kept).

In all of the Baltic states, Russians are being treated as second-class citizens, and tension is rising (particularly in Estonia, where a fire-fight

broke out at the end of July between Russian and Estonian soldiers).

As Mr Yeltsin's trip to Japan gets closer, there are accusations that the foreign office is preparing a sell-out on the Kurile Islands consigning Russians to Japan or forcing them off their island homes. Japan is energetically reclaiming the four islands, seized by Russia at the end of the last war.

Mr Kozyrev, trying to keep going civilised discussion, found himself under yet more ferocious attack - including from one-time liberals such as Mr Sergei Stankevich, a Yeltsin adviser and Mr Oleg Rumyantsev, head of the Social Democratic party.

Goaded, the foreign minister himself lashed out - in an interview with the daily paper Izvestia. "The party of war is rearing its head in our country. Why are the military deciding on all major political questions? I think that the threat of an anti-democratic coup does exist." Days later, a collection of generals and security forces denounced Mr Kozyrev for daring to suggest that they would act unilaterally.

He survived that, but barely. He continues to plan his calendar for the autumn and later like a man with a future ahead of him.

But he must know it is a highly conditional future - conditional on the outcome of a struggle for power, and for influence with the president, within the Russian leadership which daily grows more intense.

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UK under attack on Yugoslav sanctions

THE British Labour party yesterday stepped up its attack on the government's policy of applying the United Nations trade embargo to Serbia, saying it was a "blatant" trade with Yugoslavia.

Referring to Customs and Excise statistics for June, the first month after the UN resolution calling for a trade embargo, Mr Robin Cook, shadow trade and industry secretary, said that trade in a third of all types of goods had increased in comparison with June 1991.

Examples of goods in which trade had increased included imports of iron and steel and exports of telecommunications equipment. Mr Cook said: "It is extraordinary that the government should produce figures to show how much of the trade with Serbia has increased."

European Community officials yesterday did not endorse a claim put forward last week by the European Commission to make EC exports to Serbia and Montenegro subject to a triple licensing system. David Gardner, director of the British Council in Belgrade, said: "The British proposal was designed to ensure that goods from the UK are not used to support the war in Yugoslavia."

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Bush under pressure in oilseeds row

By Nancy Dunne in Washington

AS THE US-EC dispute over oilseeds moves towards a climax, the Bush administration is being pressed by farm organisations and Capitol Hill to make the oilseeds dispute a test of the effectiveness of the General Agreement on Tariffs and Trade.

Today is the end of the 60-day period for compensation talks under GATT. Brussels made a number of offers, including proposals to raise quotas for beef imports and to increase access for imported maize.

These have all been rejected as insufficient and providing little for the injured party - the oilseeds producers. However, according to one US farm group official, there was "progress of sorts" when the EC withdrew a threat to impose a tariff rate quota on oilseeds.

It remains possible that even today, the US could release its retaliatory "hit list" which would put tariffs of as much as 400 per cent on trade worth \$1bn. The list, thought to be the largest US sanctions package on record, will have been whittled down from a list valued at more than \$2bn.

Although the 60-day period is expiring, it could be some days before a final sanctions roster is released, because the farm experts at the US Trade Representative's office have been preoccupied with the North American Free Trade talks.

Mrs Carla Hills, the US Trade Representative, is in Houston at the Republican Convention.

Ms Nancy Foster, of the American Soybean Association, which brought the complaint, said: "We are recommending that the administration show a strong signal of resolve on this issue."

In an election year, with the Mid-West an expected battleground, that recommendation is not likely to be ignored. Senators supporting the soybean lobby in discussions with administration officials are making the issue a litmus test for the value of a new GATT agreement.

Ms Foster said: "If we follow the procedures, win a case twice and still not get redress, what is the point?" The negotiations in Brussels have gone beyond the US and the Community to encompass all oilseeds exporting countries claiming damages from the EC failure to eliminate subsidies to its oilseeds sector.

The compensation talks include Canada, Brazil, Argentina, Uruguay, Hungary, Poland, Pakistan, India and Sweden.

So far, the group has been united in holding out for a better compensation package. While the farm groups have been urging a tough line on the administration, US business has been scurrying to keep the food, wine, spirits and flowers imports off the final sanctions list.

If it comes to retaliation, the damage will be painful on both sides of the Atlantic.

Turks look to future with Bosphorus radar

The costs of progress have put transit charges for ships on the agenda, writes John Murray Brown

TURKEY is considering breaking with a tradition of more than half a century. It plans to introduce charges for ships going through the Bosphorus, in an effort to defray the costs of a proposed radar system.

Such a move would represent the first change since the Montreux Convention of 1936 established the Bosphorus as an international waterway, guaranteeing free transit between the Sea of Marmara and the Black Sea.

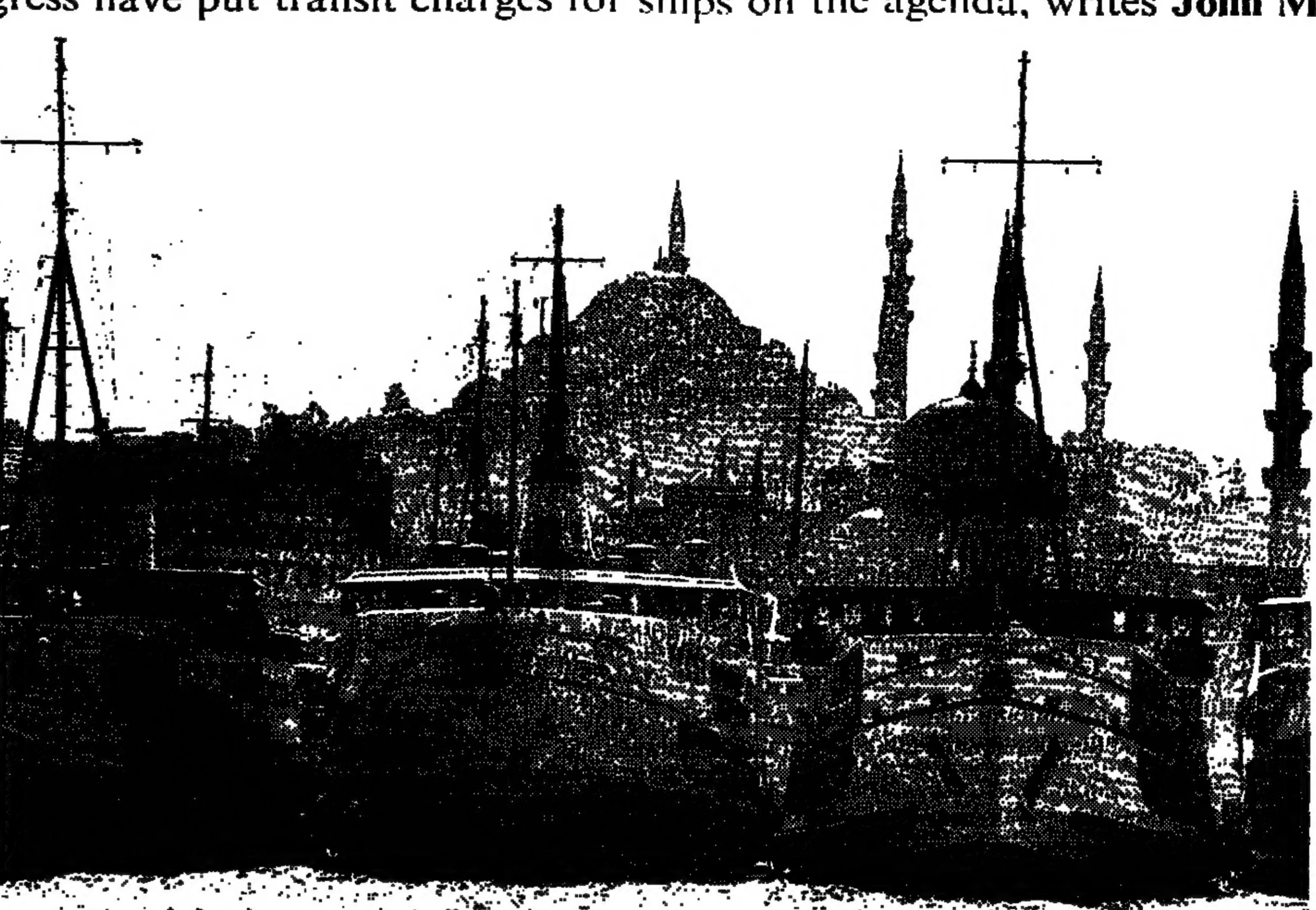
In April, 10 companies, including Thompson CSF of France and the UK's GEC Marconi, submitted bids for a turnkey supply contract for a fully automatic, computer-supported radar system.

The project is estimated to cost \$20m (£10.4m). It comprises as many as 20 direction-finding radars, providing the Bosphorus with the equivalent of an air traffic control system. The project has been postponed a number of times, but a contract is now expected to be awarded in the next two months.

Turkey is bracing itself for increased traffic. For the new Black Sea countries and central Asian states, the Bosphorus offers the most direct route to western markets.

In addition, once the network of canals in central Europe links with the Danube over the next two years, demand to use the Bosphorus is likely to increase.

Dr Demir Sindel, professor of marine engineering at Istanbul University and an expert on the Bosphorus, says: "If we have a good radar system we can manage twice the volume of traffic. But we must earn money from this. At the moment we have expenses but no income."



Bosphorus ferries on the Golden Horn at Istanbul with the Mosque of Suleiman the Magnificent in the background

The Bosphorus is one of the busiest sea lanes in the world, with more than 40,000 ships in transit every year, from coasters to oil and LNG tankers. In addition, it is also one of the most difficult waterways to navigate with 12 major turns, and as little as 500 metres at the narrowest point.

There are just three passive radar units for the entire 30km length of the Bosphorus Passage. When supertankers attempt the journey, port authorities close the Bosphorus to other traffic. Despite traffic lanes, officials calculate there are on average 10 collisions every year.

No formal request to the other Montreux signatories has been made to introduce transit fees.

The Turkish Foreign Ministry is said to favour completely renegotiating the treaty, given that one of the main signatories, the Soviet Union, no longer exists.

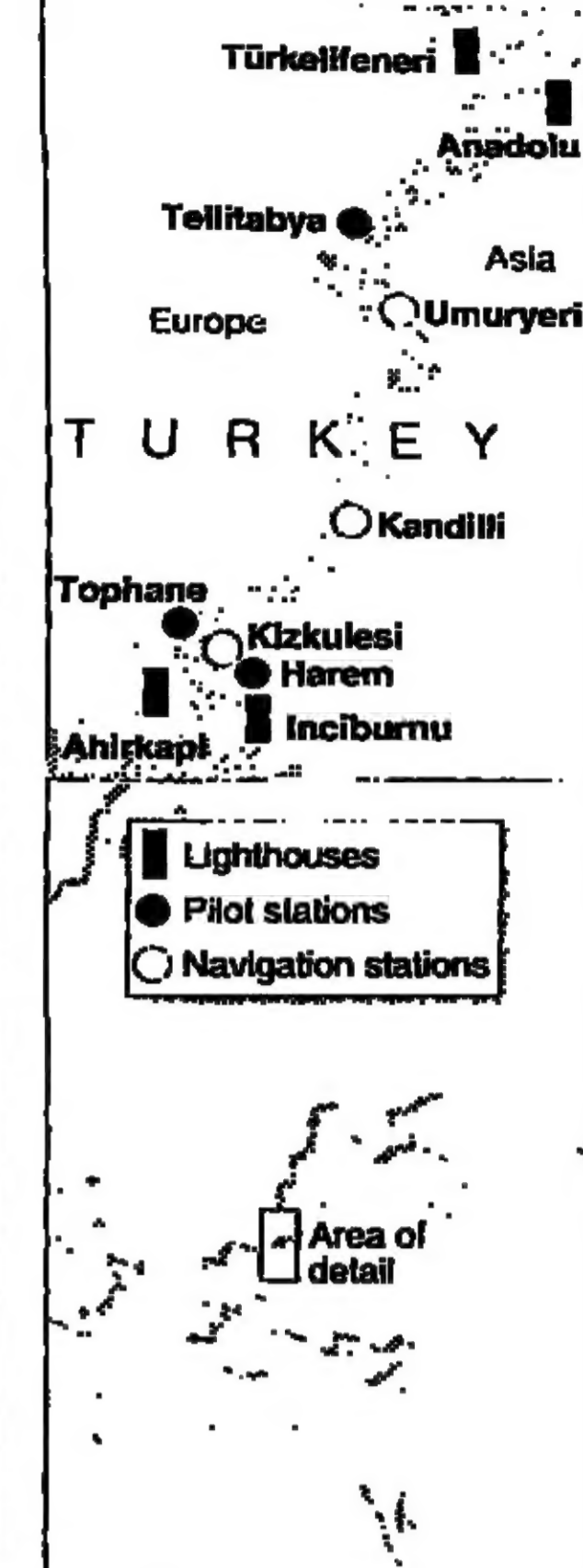
Turkey currently charges a fee based on tonnage. If ships choose to take pilots to direct them through the straits which divide European Turkey from the Asian mainland, but under Montreux pilotage is not mandatory.

Officials at the Turkish Maritime Organisation (TDM) in Istanbul estimate that more than 20,000 vessels go through every year without pilots.

Only warships have to notify the Montreux signatory countries, a key provision for Nato members Turkey and the UK during the cold war, when the Bosphorus was an outlet to the Mediterranean for the Soviet fleet.

Earlier this year, Turkish authorities seized the Cape Malleas, a Greek-Cypriot ship taking arms to Iran. The public prosecutor defended the action, arguing that Turkey was still at war with Cyprus and thus, under Montreux, was empowered to seize the shipment, a position not supported by an embarrassed Turkish Foreign Ministry in Ankara.

In practice, Turkey enjoys few other controls on the traffic. The TDM currently uses its right to make health inspections under Montreux as a means of regulating the frequency of ships.



Argentina angry at Brazil imports

By John Barham in Buenos Aires

INDUSTRIALISTS in Argentina are demanding that the government take action to slow an avalanche of imports, especially from Brazil, which they claim is threatening the survival of domestic industry.

Mr Israel Mahler, head of the Argentine Industrial Union (UIA), which represents the country's industry, said at the weekend that "we are very close to industrial disruption, because (the imports) affect the domestic market, the last resort that is left to certain sectors."

The UIA has singled out Brazil as the chief offender, with which Argentina together with Paraguay and Uruguay, plans to create a common market to be known as Mercosur by the end of 1994. The four countries are already reducing trade barriers in preparation for economic integration.

However, concern is rising in Argentina over the volume of Brazilian exports. Brazil is now expected to run up a \$1.5bn surplus in its trade with Argentina this year, contributing heavily to Argentina's deteriorating trade balance. Argentina registered a \$302m trade deficit in the first quarter, which forecasters fear could rise to an annual deficit of more than \$1bn. Even optimistic analysts expect the \$3.87bn trade surplus of 1991 to be whittled away to a very small surplus.

The UIA wants the government to tighten up anti-dumping procedures and increase administrative controls to prevent "abuse" by foreign, particularly Brazilian, competitors.

The union has also demanded that the government introduce countervailing duties against Brazil to offset the effects of Brazil's macroeconomic instability. The government has so far refused to adopt any protectionist measures.

The UIA says Brazilian companies receive government export incentives, subsidised trade finance and artificially low prices for such inputs as steel, gas and electricity, plus the benefits of a strongly undervalued currency. Furthermore, Brazil's severe economic downturn has strongly increased exports.

However, the Brazilians blame serious structural distortions in Argentina for the surge in imports. Argentina's industrial costs are rising steadily, pricing companies out of the international market.

The Mexican government will encourage further private investment in the petrochemicals industry, by reducing the number of basic petrochemicals reserved to the state from 19 to 8, reports Damian Fraser in Mexico City.

Under Mexican law, only the state-owned Petroleos Mexicanos (Pemex) can make basic petrochemicals, defined as those chemicals that are the result of the first chemical or physical transformation from gas or oil. This definition has proved to be elastic, and the number of basic petrochemicals has steadily been reduced over the past six years, according to political rather than scientific considerations.

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African leaders sign treaty

LEADERS of 10 southern African states signed a treaty yesterday creating a development community to defuse the threat of economic competition from a powerful post-apartheid South Africa, Reuters reports from Windhoek.

The Treaty of the Southern African Development Community (SADC) was signed at the University of Namibia by leaders from Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

The new community with a population of 80m replaces the South African Development Co-ordination Conference (SADC), formed in 1980 to reduce the dependence of South Africa's neighbours on its white-controlled economy.

At the time, the black countries accused the South Africans of waging a regional campaign of military and economic destabilisation to bolster apartheid.

"It is time to reduce the areas of conflict and maximise the areas of co-operation," Tanzanian President Ali Hassan Mwinyi said before signing the treaty yesterday.

Officials said they hoped SADC would develop into a common market with a regional parliament.

The leaders urged Pretoria to speed the transition from white rule to democracy, which they set as the condition for South Africa's membership of their community.

But Mr Charles Howe, SADC chief economist, said the community hoped to establish mechanisms for co-operation and integration before then.

Mr Arden-Clarke said WWF would favour an MTO to replace GATT, "so long as the new organisation is equitable, transparent, democratically accountable, and if it recognises the limits imposed on free trade by the need for environmental protection and sustainable development".

Otherwise the proposal should be removed from the Uruguay Round package. "The Multilateral Trade Organisation: A legal and environmental assessment: WWF International, CH-1196 Gland, Switzerland.

Otherwise the proposal should be removed from the Uruguay Round package. "The Multilateral Trade Organisation: A legal and environmental assessment: WWF International, CH-1196 Gland, Switzerland.

Protest at lack of green measures for trade body

By Frances Williams in Geneva

THE proposed Multilateral Trade Organisation (MTO) that would implement the results of the current round of global trade talks should be renegotiated to take account of environmental concerns and if not should be jettisoned, according to the World Wide Fund for Nature (WWF).

Environmental groups, especially in the US, are angry that the MTO, which would be a far more powerful institution than the present General Agreement on Tariffs and Trade (GATT), makes virtually no reference to the environment and its relationship with trade.

This is likely to be one of the most hotly debated issues if and when the Uruguay Round package, still stalled over farm trade reform, goes to the US Congress for ratification.

A report on the proposed MTO by WWF International points out the contrast with the Maastricht treaty, which states that one of the objectives of the European Community is to promote "sustainable and non-inflationary growth respecting the environment".

The recently completed North American Free Trade Agreement (Nafta) also refers to sustainable development as a principal goal.

Mr Charles Arden-Clarke of WWF International said that the draft MTO would perpetuate the pre-eminence now given by GATT to free trade over the environment, and failed to honour commitments made at the Earth Summit in June to make trade and environment policies "mutually supportive".

The WWF is calling for MTO objectives to include a commitment to sustainable development, recognition and assessment of the environmental impact of trade measures, creation of a standing committee on trade and the environment similar to the GATT committee on trade and development, and consultation rights for environmental groups in trade negotiations.

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NEWS: INTERNATIONAL

Bush spurred by hopes that Saddam is nearly finished

By Roger Matthews in Washington

PRESIDENT George Bush insists, probably honestly, that he is not seeking a military showdown with President Saddam Hussein or seeking to manipulate the situation in the Gulf for his own domestic political advantage. The political key to the present increase in tension lies far more in the additional damage that could be done to Mr Bush during the next three months by Mr Saddam, rather than the punishment that can be inflicted on the Iraqi leader by US air strikes.

The hollowing of the Gulf war victory, as it has come to be seen in US domestic political terms, was fully brought home to the administration last month when, for nearly three weeks, the Iraqis denied UN weapons inspectors access to the ministry of agriculture, in defiance of UN ceasefire resolutions. Baghdad presented the affair as a great national triumph, Mr Saddam went

for a much-photographed swim in the Tigris, and US officials acknowledged that they had been caught badly off balance.

It was an event that the White House was determined should not be repeated in the run-up to November's presidential election, in which Mr Bush is already trailing Governor Bill Clinton, his Democratic rival. The timing of the weekend's revelations of increased US military preparedness in the Gulf owed more to the fact that the UN weapons inspection team was completing its latest searches in and around Baghdad than to the Republican party national convention which opened yesterday in Houston.

As senior party members pointed out, the last thing they wanted was for Saddam Hussein to deflect national attention from the official launch of the Republican campaign and it was certainly not something Mr Bush would deliberately choose to happen. They also doubted

whether there was a great deal of political advantage to be reaped by bombing Baghdad, but there was much to be lost by allowing Mr Saddam to claim another victory.

Part of this damage-limitation exercise appears to have paid off already, with the present visit by weapons inspectors in Iraq apparently concluding without Baghdad challenging the UN's authority. However, US policy is also directed to the overthrow of Mr Saddam and

longer-term planning to achieve that objective continues.

Evidence of this is now emerging from what seems to be a US-led allied decision to establish an exclusion zone below the 32nd parallel in southern Iraq below which Iraqi aircraft will not be permitted to fly. It is a move that the US has been reluctant to make, despite powerful evidence of repeated violations of UN resolutions by Baghdad.

Western forces stood by when, in

the immediate aftermath of the Gulf war, Saddam Hussein stamped out the Shia uprising in the south.

Mounting evidence that the Iraqi regime is now deploying both helicopters and fixed-wing aircraft against the Shia may have tipped the US hand. Representatives of exiled Iraqi opposition groups last month called on Mr James Baker, then secretary of state, and last week evidence was produced to the UN Security Council of continuing

atrocities in the south.

What seems to have been holding the administration back is its determination to avoid becoming involved in the political dismemberment of Iraq and its fear that Iran would be the main beneficiary of any allied intervention on behalf of the southern Shias. Arab leaders in the Gulf are themselves divided over the wisdom of seeking to divide Iraq into three parts with the Kurds in the north, the Sunni Muslims in the centre, and the Shias in the south.

Set against that is the conviction among some sections of the Bush administration that Saddam Hussein is now closer than ever to being toppled. They point to a serious economic situation with inflation out of control and basic foodstuffs ever scarcer. The recent execution of an estimated 40 traders accused of making excessive profits is cited as evidence of the desperate state of the regime. It is argued that a further twist of the screw now, by



giving protection to the Shias, could push the regime over the edge. The fall of Saddam Hussein in the next three months, whoever or whatever replaced him, would be a political bonus for Mr Bush. But if Mr Saddam is to survive, the administration is determined he should at least be quiescent.

MUCH INSPECTION WORK STILL TO DO

HAVING completed 42 inspections in 16 months in the effort to eliminate Iraq's major weapons capability, the UN now is expected to continue operations at a slower pace, but officials emphasise that a lot of work remains to be done, writes Michael Littlejohns in New York.

Still, they appear confident that, apart from some gaps, most of the

Iraqi programmes have been identified by inspection teams sent by the disarmament commission set up by the Security Council.

The destruction of arsenals is well advanced except in the area of chemical weapons. Eliminating stocks of nerve agents and mustard gas, a programme due to start next month, is expected to take at least

a year. Destruction teams are already in Iraq on a full-time basis.

As for UN monitoring to ensure that Iraq never again develops the potential to become a serious military threat to the region, that will continue indefinitely, officials say. Mr Tim Trevan, the commission spokesman, hailed the latest mission as a total success.

UN relief attacked by south Sudan rebels

By Julian Ozanne in Nairobi

SUDANESE rebels yesterday threatened a United Nations plan for an emergency food airlift to some 300,000 starving residents of Juba, saying that relief workers flying into the besieged town did so at their own risk.

The dispute, which emerged between the rebel Sudan People's Liberation Army (SPLA) and the UN, highlights the lack of a co-ordinated, comprehensive UN relief effort in southern Sudan, and the way

in which food is being used, by both sides, as a weapon in the nine-year civil war.

Ambassador Darko Silovic of the UN department of humanitarian affairs told reporters yesterday morning a resumed UN airlift would begin on Thursday to move 1,075 tonnes of food, medicines and shelter material into the starving government-held city.

The initiative was immediately attacked by the SPLA who described it as "provocative". "Anybody flying to Juba without proper agreement does

it at his/her risk," warned Mr Elijah Malok Aleng, executive director of the SPLA relief organisation. The SPLA has in the past shot down aircraft.

Thousands of women and children have died in southern Sudan as both the fundamentalist Islamic government and the rigid SPLA have consistently disrupted and blocked relief efforts and sought to exploit them for military gain. Since the beginning of the year fighting has escalated as the government has pressed home a lightning offensive.

For four years the civilian population of Juba has been dependent for food supplies on a three-dayly airlift operation. The airlift was suspended on July 18 after the SPLA, which has laid siege to the town, stepped up fighting and shelling of the airport and shot down several government planes. The suspension also followed SPLA protests after the government had used a UN flag on aircraft allegedly to fly arms and ammunition to encircle government soldiers.

Mr Silovic said: "Today in

Juba there is no food left... If immediate assistance is not provided, large-scale deaths will certainly follow."

The SPLA statement, which demanded a round-table meeting of all parties to discuss relief, appeared to cast doubt on whether the airlift could go ahead this week.

Mr Silovic admitted the UN had no guarantees that the SPLA and government would not attack relief flights but said "we have an understanding and we hope it will go smoothly".

US military team speeds Somalia aid

By Julian Ozanne and Michael Holman in Nairobi

A US military team arrived in Kenya yesterday to prepare for a big airlift of food into famine-plagued Somalia, as a top United Nations official appealed to the Somali people to help resolve security problems impeding the international relief effort.

The 33-member team from the US defence department arrived at the Kenyan coastal city of Mombasa in a C-141 transport aircraft. In the next couple of days it will set up a base for shifting 145,000 tonnes of food in Somalia, where an estimated 1.5m people are at risk of starvation.

Aid officials have expressed surprise at the sudden speed with which the Bush administration has reacted, stung by criticism of inadequate relief efforts so far. The details of the airlift are still to be fleshed out, although at least 10 military transport aircraft will fly food to Wajir, in northern Kenya, and to destinations so far unnamed inside Somalia.

The US has no relief personnel on the ground in Somalia to help ensure the security and effectiveness of food distribution to the needy and does not appear to have consulted other aid agencies.

But Ambassador Mohammed Sahnoun, the UN secretary-general's special envoy in Somalia, said tribute to the US bilateral aid effort, which will complement aid operations by the UN, Red Cross and other aid agencies.

He described it as a humanitarian act of solidarity with the Somali people, especially starving children, and Somalis should respond by ensuring the security of relief personnel and getting together under a UN-brokered national reconciliation conference.

Mr Sahnoun, who left Nairobi last night for Sweden, said he had consulted the Canadian, German and Italian governments, which had promised to fund a large part of the UN operations in Somalia.

More Chinese students pay

ONE IN every seven students enrolling in Chinese universities at the start of the new academic year next month will pay for the privilege, writes Yvonne Preston from Beijing.

The 100,000 new fee-paying students is the highest number in the 40 years since China's universities were nationalised and tuition fees abolished.

Fees are 2,000 yuan (\$300) a year. Students who pay their own way must find their own jobs on graduation. Free education is for students passing the highly competitive university entrance exams, who are mostly assigned jobs at the end of their courses. Even they pay fees of around £19 a year.

The State Education Commission said growth in the number of fee-paying students was a natural outcome of the reform drive of Deng Xiaoping,



Nelson Mandela, president of the African National Congress (right), acknowledges cheers from student supporters on a visit to the Peninsula Technicon, near Cape Town. With him is Mr Allan Boesak.

ANC regional chairman, Business Day, a leading Johannesburg newspaper, reported that the ANC may be preparing new mass protests to try to force the white government to step down.

Meanwhile, police said yesterday that at least 18 people were killed in factional violence throughout South Africa, including four black police officers shot and burned to death in a gun battle.

NEWS IN BRIEF

Kabul suffers night of rocket duelling

A NIGHT-LONG rocket duel between rebel forces and pro-government troops ended early yesterday with defence ministry officials claiming to have repulsed the attack. AP reports from Kabul. For a week rebels loyal to fundamentalist rebel Gulbuddin Hekmatyar have been pounding the capital with rockets, killing an estimated 1,000 people.

The three-month-old Afghan government expelled Mr Hekmatyar and his fundamentalist Hezb-e-Islami group last Friday. Mr Hekmatyar has vowed to destroy the capital unless an Uzbek militia, led by Gen Rashid Dostam, is evicted from Kabul.

Clashes between rival Sunni and Shia rebels on the western outskirts of Kabul have been aggravating the violence in the city.

Khmer Rouge accuses UN

Khmer Rouge officials yesterday accused United Nations peacekeepers of failing to act over the killing of one of their guerrilla leaders in north-eastern Cambodia. Reuter reports from Phnom Penh. "They claim nothing has been done... so now they will seek revenge themselves. Military observers are in place and will try to defuse the situation," said Mr Eric Falt, a UN spokesman.

Soldiers of the Phnom Penh government killed San Boun on August 1 after he surrendered to them to try to free his wife who had been taken hostage, he said. San Boun was apparently killed by a bullet to the back of the head, Mr Falt said.

Ramos changes tack on Marcos

Philippine President Fidel Ramos yesterday withdrew his backing for a judge's decision to dismiss 11 criminal cases against former first lady Imelda Marcos, Reuter reports from Manila.

Mr Ramos had told reporters earlier in the day that the 11 currency violation charges filed against Mrs Marcos had "become moot and academic" because of a decision this month to liberalise foreign exchange rules. However, Mr Ramos's remarks contradicted positions taken by Central Bank Governor Jose Cuisia, Justice Secretary Franklin Drilon and government prosecutors, who had said they would appeal to the Supreme Court.

Pakistan proposes talks on Kashmir

By Shiraz Sidhwa in New Delhi

PAKISTAN yesterday formally proposed talks with India on the Kashmir issue under the Simla Agreement - for the first time since the agreement, laying down terms for normalisation of relations between the two countries, was signed 20 years ago.

The proposal, contained in a letter from Mr Nawaz Sharif, the Pakistani prime minister, to his Indian counterpart, Mr Narasimha Rao, was delivered by Mr Shahryar Khan, the Pakistani foreign secretary, on the first day of talks between the two countries at the foreign secretary level.

Mr Khan said Pakistan hoped that India would respond positively to its proposal for bilateral discussions on Kashmir under Article 6 of the Simla Agreement, which states that final settlement of the dispute needs to be discussed between the two sides.

But he stressed that the proposal should not be seen as a change in Pakistan's policy on Kashmir, or evidence that Pakistan "had turned its back" on United Nations resolutions on the disputed territory.

UN resolutions as mutually exclusive," he said. "It is Pakistan's considered view that the UN Security Council resolutions calling for a plebiscite remain valid."

An Indian foreign ministry spokesman said there was "nothing new or startling" about Mr Sharif's proposal. He said Mr Rao had told Mr Khan that India would consider the proposal and convey an appropriate response.

He also said India had pointed out during the first round of talks that it was "not possible to isolate individual articles of the Simla Agreement, which had to be viewed in its totality as a document".

The foreign secretaries' talks - earlier scheduled for July and postponed by India after an Indian diplomat was assaulted in Islamabad - are meant to prepare the ground for a meeting between the prime ministers of the two countries in Jakarta on September 3.

The Delhi talks are due to culminate today in the signing of a memorandum of understanding on a code of conduct for diplomats, an agreement banning the use of chemical weapons, an exchange of instruments of ratification and the non-violation of each other's air space.

Arabs may delay start of Washington talks

By Tony Walker in Jerusalem

ARAB participants in Middle East peace talks due to resume next week are threatening to delay their arrival in Washington in protest at the US decision to grant Israel billions of dollars in loan guarantees without first insisting on a settlement freeze.

The Palestine Liberation Organisation has summoned delegates to its Tunis headquarters to discuss tactics before the Washington round. PLO hardliners have demanded that the Palestinians boycott the talks until

they get undertakings that work on Jewish settlements will be stopped.

Palestinian officials have denounced President Bush's decision to grant some \$10bn (\$5.2bn) in guarantees without making public details of understandings reached with Israel over settlements in the West Bank and Gaza Strip.

The four Arab parties to the peace talks - Syria, Jordan, Lebanon and the Palestinians - are expected to meet in the next few days to discuss the settlement issue. Their last meeting as a group was in Damascus in July.

Comments last week by Mr Yitzhak Rabin, Israel's prime minister, on his return from

the US, that his government was pressing on with 11,000 homes already under construction in the territories, have infuriated Palestinians.

They are demanding that work on these structures be stopped as a gesture of good will, and that construction on new dwellings in Jerusalem and its environs also be curbed.

Palestinian delegates to the peace talks were briefed at the weekend on the US position by the American consul in Jerusalem. Sketchy details provided by the US official did not allay Palestinian suspicions that Mr Bush had softened earlier US demands that Israel freeze settlements.

Palestinian leader walks tightrope towards peace

Tony Walker reports on the role of Faisal Hussein

THEY slaughtered six sheep to honour the son of Abdel Kader and in the Bedouin tradition the men of the village of Sawahreh gathered to talk before their feast of *mansaf* - mounds of steamed lamb and rice.

High in the stony hills of the West Bank on the River Jordan towards the little town of Bethlehem in the simple breeze-block house of Sheikh Kasem el Sourakhi they welcomed Abu Abed in the traditional way as a local statesman and tribal leader.

Among the many who expressed greetings was an old man dressed in brown robes edged with gold thread who stepped forward and kissed the honoured guest on both cheeks, declaring: "Ah, the loved one of the people."

The object of all this attention, better known to the world as Faisal Hussein, leader of the Palestinians under Israeli occupation, had come to the village of Sawahreh to burnish his support among a small, but important element of his constituency - the Bedouin tribesmen of the West Bank.

Known affectionately in the Arab way as Abu Abed, literally "father of Abed", Faisal Hussein has emerged as by far the most important Palestinian of the occupied territories, and the key figure in extremely delicate peace negotiations involving the Israelis, the Palestinians, and the Americans.

As preparations go forward for the resumption of Middle East peace talks in Washington on August 24, Mr Hussein's importance is certain to grow. He is not an easy task, caught between old enemies and under pressure from all quarters. He likens his position to that of "someone who is trying to walk on a wire between two high buildings".

Many, from both sides of the dispute and among American officials, will be praying that he manages to keep his balance, for he is perhaps the only figure capable of exerting a semblance of authority over the fractious Palestinians of the territories in the testing months ahead.

Courteous and quietly spoken, the balding and slightly overweight Mr Hussein draws part of his authority from the fact that his father, Abdel Kader Hussein, who died in battle in 1948, endures in people's memories as perhaps the most authentic Palestinian hero of the independence struggle. Descendants of the Prophet Mohammed, the Husseins are also the closest thing to nobility in status-conscious Palestinian society.

As the heat of a midsummer's day brought beads of perspiration to the brows of

those present, Mr Hussein took calls on his cellular phone and fielded questions about progress towards peace, seeking to reassure his audience that the process seemed to be on the right track, and that Jewish settlements on Arab land were being curbed. He also gave the impression that Mr Yitzhak Rabin, the new Israeli leader, was someone he could do business with.

"The situation is better than it was before..." Mr Hussein

lages and hamlets of the West Bank and Gaza Strip. He is regarded as much more than a political figure. In Palestinian eyes, he is a tribal chief, and would-be peacemaker not just with the Israelis, but between feuding Palestinians, as well.

On a recent particularly hectic working day, no fewer than 450 people representing all strata of Palestinian society passed through his offices in Arab east Jerusalem, seeking his help as a counsellor, friend and arbiter of disputes ranging from marital problems to ancient feuds between families.

Mr Mehdi Abdul Hadi, a prominent Palestinian academic and activist, said that Mr Hussein, with the "blessing and encouragement" of the PLO, was exercising "national authority" in the territories.

He had become, Mr Hadi observed, the "address for the Palestinian house".

In contrast to the severe constraints that the previous government of Mr Yitzhak Shamir sought to impose on Mr Hussein, the new administration for the time being, giving him room to move. He has been allowed, for example, to reopen the offices of his Arab Studies Society in an east Jerusalem hotel.

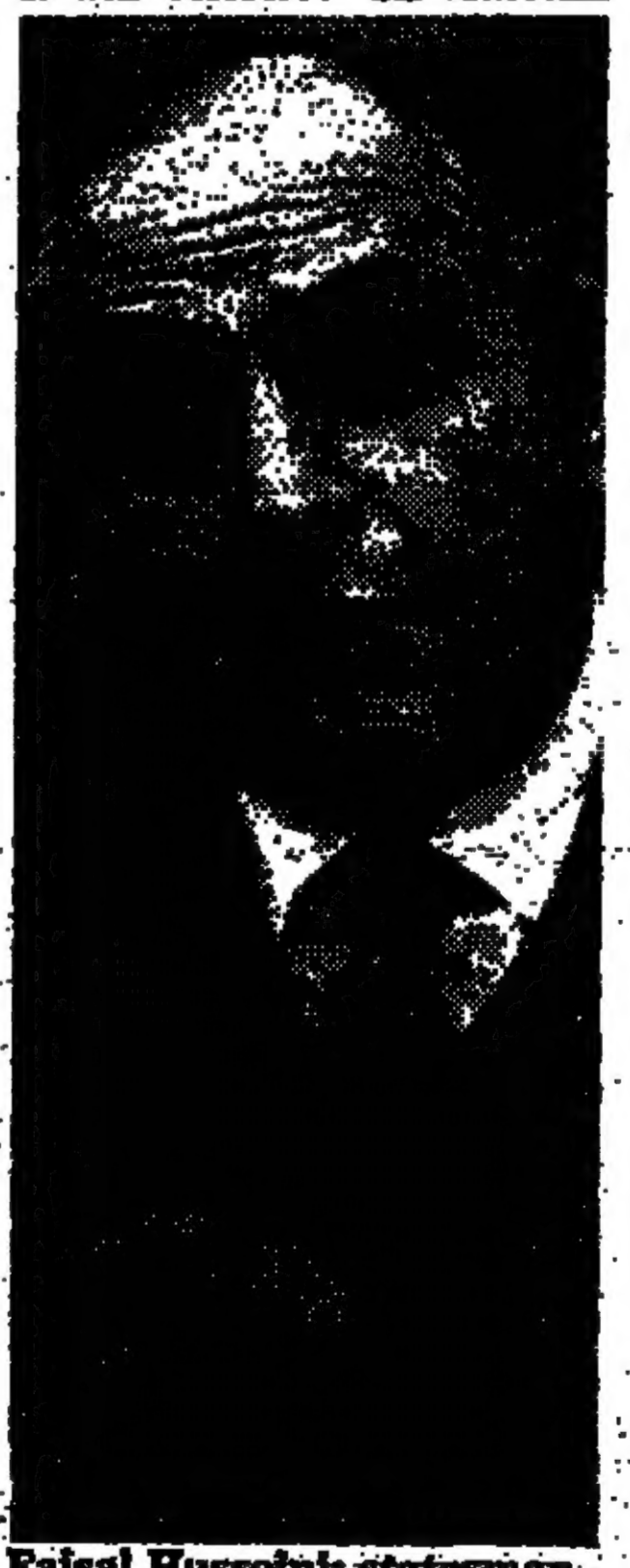
A proposed amendment to Israel's 1986 anti-terrorism law, allowing Palestinians from the West Bank and Gaza openly to meet Mr Arafat and other PLO officials will also enhance Mr Hussein's visibility.

On the drive from Jerusalem to Sawahreh for the *mansaf*, Faisal Hussein had seemed preoccupied, for he has much on his plate at the moment. Among his main concerns is how to ensure Palestinian security, should an interim self rule agreement be reached with Israel, involving a pull-back of the Israeli military from Arab population centres.

He has proposed a 20,000-strong "police force" to guard security. He argues that it would be disastrous for the Palestinians if, having been granted autonomy, they were unable to provide a secure environment. He warns of threats from armed Jewish settlers and from a local "mafia" of drug dealers and car thieves.

One worry for Mr Hussein is fear of factional strife involving the Islamic fundamentalist Hamas, which opposes compromise with Israel.

Mr Hussein is also being advised to take better care with his own security and fairly recently he acquired several bodyguards, who are not permitted by Israeli law to carry arms. In his quiet way, Mr Hussein acknowledges the dangers. "Now there is more risk," he says. "Yes, I must be more careful."



Faisal Hussein, leader of the Palestinians, and tribal leader.

NEWS: UK

Textile, clothing exports rise 8%

By Daniel Green

TEXTILES AND CLOTHING exports rose almost 8 per cent to £2.3bn in the first half of the year, more than double the growth of imports, said the Apparel, Knitting and Textiles Alliance (AKT), the industry's trade body, yesterday.

The change left the UK's textiles and clothing trade deficit steady at £1.8bn.

"This is a remarkable achievement when the economies of the UK's major overseas markets are in difficulty," said Mr Allan Nightingale, chairman of AKT. "However, the UK market remains extremely depressed."

Clothing exports increased faster than textiles and accounted for 58.75m of the total. The biggest markets remained the Irish Republic and Germany, with the fastest growth coming from France, Sweden, Spain and Italy.

France reinforced its position as Britain's third biggest export market as sales grew more than 20 per cent to £90.4m.

Sales to Sweden climbed 30 per cent to more than £62m, largely as a result of the shrinking domestic manufacturing base and the strong traditional trading links.

A weak dollar was one of the factors behind a 14 per cent fall in clothing sales to the US, but the value of goods going to the former Soviet Union rose from a negligible level to £13m.

Hong Kong remained the biggest supplier of clothes to the UK, despite a fall of 7.2 per cent to £341m.

Textile exports grew by a more modest 6 per cent. The fastest growing market was the Netherlands, although this figure was distorted by the establishment of a new distribution centre for an artificial fibres manufacturer.

Bullion case ends as police pursue spoils

By Richard Donkin

MUCH of the spoils from Britain's biggest bullion robbery continues to evade detection, said the Metropolitan Police yesterday, after an armed gang escaped with £36m of gold bars from a top security warehouse near Heathrow Airport.

As four members of the criminal network that handled and conspired to handle proceeds from the Brink's-Mat raid were sentenced yesterday to prison sentences ranging from five to ten years, police were still pondering what happened to part of the proceeds.

Mr Brian Perry and Mrs Jean Savage, who were convicted yesterday at the Old Bailey of taking part in a plot to launder profits from the raid, received sentences of nine years and five years respectively.

Fellow defendants who were convicted last week, Mr Gordon Parry and Mr Patrick Clark, were sentenced to 10 years and six years. Mr Clark's son, Stephen, was acquitted.

In the Brink's-Mat case - Britain's most notorious robbery since the Great Train Robbery more than 20 years earlier - armed raiders threat-

ened to turn security guards into human torches to make them disclose the combination of the vault.

Unlike the train robbers, the Brink's-Mat gang evolved an elaborate plan to convert the bullion into cash and launder the proceeds into the international financial system.

Gold was melted down and sold on the open bullion market by Mr Kenneth Noye, a Kent businessman said to be the central linkman in the scheme. Noye was sentenced in 1986 to 14 years in jail for his part in the plot.

Some £14m is thought to have been laundered into the banking system through two groups of laundres, using the Noye route. Another route is so far undiscovered.

The prosecution said once the money had entered the system it went on a merry-go-round between banks and offshore institutions.

Some £15m in cash and £5m in property alleged by police to belong to the laundering chain has been frozen and is now subject to civil proceedings. The two Brink's-Mat laundering trials are thought to have cost about £7m.

King's retinue gains influence at Bank

BEYOND the hush of the Bank of England's marble-clad ground floor, a warren of narrow corridors houses the Bank's economics division. Little is known about the economists that work here other than what appears in the Bank's quarterly bulletin, published today. But a favourite taunt of City and Treasury colleagues is that their research is carried out in a vacuum and has little impact on the authorities' decisions.

The role of central bank economists is bound to be slightly murky. The influence of their work on big policy decisions is limited, given that the government has the final say on monetary policy.

Yet Professor Mervyn King, an executive director of the Bank who took over responsibility for the economics division - or ED, as it is known - a year ago, was convinced that a department of some 35 economists could make a valuable contribution to the Bank's policies. He decided to reorganise the division to "make it more central to the needs of the Bank".

The main change to the division was to reduce sharply the importance of its economic model, formerly the centre-piece of the division and about which all research revolved.

The system, according to Mr King, had become ossified. Under-employed economists scurried around for something new to say about their section of the model, rather



In command: Mervyn King expects researchers to enjoy increased influence at the Bank of England

than addressing relevant issues.

Withdrawing an established economic model from a group of economists is a bit like robbing an electrician of his tool kit. After all, many of ED's economists had defined themselves in terms of the model since they had begun working there.

"In the old days people had a clear link with a particular bit of the economy, for example, the capital account. That had

to change - people had to start thinking about why they were doing what they were doing," said Professor King.

The model was slimmed down from 500 variables to around 350, and the number of people working on the forecasts was cut to around five. At the same time the rest of the department was split into six groups, each focusing on a different area of the economy.

Released from the burden of the forecast, the theory was

that the Bank's economists would be free to carry out topical research.

Few problems were encountered on the way. One or two employees left, and those responsible for the model before the changes felt a little bereft at its downgrading.

"Those directly involved with forecasting rather liked the new system once they got used to it. They used to have about forty other economists telling them what to put in

their forecast. Now, with just four or five of them they felt they owned it," said Mr Price.

The other groups, including two entirely new sections, could now use their time to research projects relevant to the bank - the shape of the economic recovery, the pros and cons of gilt auctions, analyses of bond yields and the effect of repossession on the housing market.

A year on and Professor King is pleased with the results of the reorganisation. The division's ideas are beginning to be subsumed into the collective consciousness of the Bank, he says.

One or two of the younger economists still grumble that their work goes unrecognised, and that ED research remains unlikely to influence policy. But others claim Prof King has succeeded in bringing ED closer to the heart of the Bank.

One of the division's younger economists working in the quantitative financial economics group - home to the Bank's so-called "rocket scientists" - has recently returned from a job elsewhere in the City.

"Getting me to come back would have taken about five or six months and a sub-committee a few years ago, but this time it took a couple of phone calls," he said. "This place has changed a lot."

Emma Tucker

Companies count the cost of photocopiers

By Michael Cassell, Business Correspondent

SMOOTH-talking photocopier salesmen are swooping on smaller companies when senior staff are on holiday and persuading their deputies to sign extortionate contracts which can ruin the business.

The Confederation of British Industry warned yesterday that, with the boss lying on a beach, some businesses back home are falling victim to "cowboy" salesmen pushing contracts with penal

costs and conditions. As a result, a number of unsuspecting companies are being forced to close down, unable either to honour or cancel high cost agreements to which they are committed for many years.

High-pressure sales techniques in some parts of the photocopier market are well known but complaints from customers, who have found themselves on the wrong end of a salesman's slick patter, have been rising.

The Campaign to Clean up Copier Contracts, which represents corporate

victims of the photocopier salesmen and is supported by the CBI, backed yesterday's warning.

Companies are not regarded as consumers under the Consumer Credit Act and are, therefore, unable to break contracts they have signed. The campaign also wants churches, schools, charities and other corporate bodies to be given the same protection under the law as individuals and partnerships.

It is calling for a mandatory, two-week cooling off period for photocopier contracts and members plan to meet

Baroness Denton, consumer affairs minister, to press for action.

Many companies are being caught out by the offer of a "free" photocopier machine, along with a service agreement which provides for payment at an agreed rate for copies. Only in the small print, however, is it clear that the cost per copy can be very high and can rise by up to 15 per cent each year.

Ms Judith Vincent, the CBI's head of company law, said yesterday: "Vigilance is vital if a company wants to avoid such extortion."

Britain in brief



Cabin crew may disrupt BA flights

Thousands of passengers could face further disruption on British Airways domestic and European flights as the dispute between cabin crew members of the TGWU union and the airline intensifies.

The crews will today consider another one-day strike over new terms and conditions in the face of threats that those who take action will be suspended and BA's issuing of what it describes as a final offer.

Seven flights were cancelled and passengers delayed following a lightning strike at Manchester and Birmingham earlier this month. The dispute hinges on compensation for new terms and conditions for the airline's 2,900 crew under which about 1,000 face pay cuts of £2,000, on salaries of £14,000 a year.

Late payments hit companies

In spite of campaigns by business organisations against late payment, nearly a quarter of invoices are still unpaid a month after they are due, according to the latest survey.

The survey by Trade Indemnity, the credit insurance company, said that smaller businesses were particularly badly hit by late payment.

It found that in the April-June quarter, companies received payments an average of 26 days after the due date. This was down one day from the previous quarter's figure but was still a cause for concern, said Mr Clive Brand, Trade Indemnity's senior economist. Payment terms are commonly 30 days.

Unions left unconsulted

British unions and employees have been consulted far less about moves towards decentralisation and greater flexibility in industrial relations than their continental European counterparts, says a new study to be published next month.

While most European governments have been promoting labour-market flexibility, the normal pattern outside Britain has been for such changes to be implemented in close consultation between unions and management, say Prof Richard Hyman and Mr Anthony Perner of Warwick University, central England.

New state schools urged

The next stage of education reform should be a mechanism to help found new state schools, according to Sir Graham Pirie, president of the Adam Smith Institute, the right-wing think-tank.

Drug tests for Tube workers

Thousands of London Underground staff face random tests for drugs and alcohol abuse if discussions between rail unions and railway management can establish a cost-effective procedure for testing.

London Underground has a new responsibility to take all necessary measures to ensure staff holding a range of jobs critical to safety, such as train drivers, are fit for duty and not under the influence of drugs or alcohol under legislation due to come into effect next month.

The new law gives the police the power to test safety-critical staff they believe are behaving erratically or who have been involved in a potentially or actually dangerous incident.

Business school professor named

One of the UK's first professorships in corporate responsibility has been filled with the appointment of Mr Brian Harvey at Manchester Business School.

Mr Harvey, who is reader in management studies at the University of Nottingham, will take up the Co-operative Bank chair in corporate responsibility this autumn.

Several British institutions have laid claim to creating the first academic position in the subject, including London Business School, which received £1m for the study of business ethics last month from Mr Stanley Kalms, the founder of the Dixons electronics dealership. This position has not yet been filled.

ITN staff agree pay deal

The 700 staff employed by the London-based ITN news organisation have voted to accept a pay rise of 3.5 per cent for the next 18 months following a pay freeze over the past year.

The offer was initially rejected but union leaders said that many staff fear redundancy as a result of the tough stand that the ITV companies are taking in the renegotiation of ITN's contract.

Last north west pit to close

The last coal mine in the north west, Parkside, will close in March 1993 with the loss of 720 jobs, it emerged from a meeting between British Coal management and the union.

Unions say more inspectors needed to collect £1bn VAT

By David Goodhart, Labour Editor

AN EXTRA £1bn in Value Added Tax revenues could be collected if 2,000 more tax inspectors were recruited, according to two civil service unions.

The unions say that the government's plan to cut 300 VAT inspectors this year and the decision not to deploy an extra 400 inspectors to deal with the European single market is a false economy.

"It seems madness that at a time of massive fiscal deficit and when the single market is

putting millions of pounds of VAT at risk, the government has been cutting the number of inspectors," says Mr Mike King of the National Union of Civil and Public Servants.

The union is lobbying the government along with the Civil and Public Services Association.

The unions say HM Customs and Excise calculated each VAT inspector last year detected an average £270,000 in unpaid taxes. Compared with an average employment costs of £25,000 per inspector this level of "productivity" has increased consistently, the

unions added.

They also say the current level of VAT arrears is £1.6bn and calculate the loss through evasion at £1bn. The Single Market is expected to cause an immediate extra loss of £600m through evasion. At £31bn, VAT represents 23 per cent of government revenue.

The unions calculate that an extra 2,000 staff would cost £48m a year but the direct benefit in extra revenue would be £452m and the "preventative" benefit from preventing fraud or non-payment through ignorance would be an extra £566m - an annual gain of £1bn.

Maxwell staves off bankruptcy

By Raymond Hughes, Law Courts Correspondent

MR KEVIN MAXWELL yesterday succeeded in staving off immediate bankruptcy.

After a 75-minute private hearing in the High Court a petition by the liquidators of Bishopsgate Investment Management seeking an immediate bankruptcy order against him was adjourned until September 1.

The adjournment means that Mr Maxwell will have two court appointments on the same day: he and his brother Ian and Mr Larry Trachtenberg are due to make their second appearance before magistrates on fraud and theft charges on September 1.

After yesterday's hearing Mr Kevin Maxwell read a prepared statement. He said the liquidators' petition had not been heard and the court had listed September 1 "to hear the grounds for my opposition to their expedited petition."

"To the best of my understanding an expedited petition is only heard when there is a serious possibility that assets will be dissipated pending the hearing. This is utterly misconceived in my case. No assets



Kevin Maxwell leaving the High Court in London yesterday

have been dissipated or will be dissipated."

"I have and will always conduct myself in compliance with court orders and for the benefit of all my creditors. I am pleased the court's decision today has given me this opportunity to publicly state my views."

The adjournment is unlikely to prove more than a hiccup in

the liquidators' move to make Mr Maxwell Britain's biggest ever bankrupt.

The liquidators are expecting the High Court to rule next month on their application for final judgment in their identical, but opposed, claim against Mr Ian Maxwell, who was also a director of BIM. If successful they will seek to have him made bankrupt also.

Workers seek prescription to cure sick buildings

Poor working conditions are being blamed for ill health at several UK offices, writes Catherine Milton

GOVERNMENT officials working in Bootle, north west England, claim they run risks every day they report for work. Their office - St John's House - is reputed to be a sick building.

Since the early 1980s, almost half the officials who work there, mainly for the Inland Revenue, have experienced flu-like symptoms of so-called sick building syndrome.

Sick building syndrome is an elusive illness. It is difficult to diagnose, harder to pinpoint causes and few employers will admit to the problem for fear of bad publicity or being forced to make costly refurbishments.

Mr David Rogan, a lay official for the Inland Revenue Staff Federation at St John's House, says he has suffered mildly from the condition: "It is depressing."

"You have not only your normal workload, you have the fact that the building is making you feel ill or not up to par. For the people who suffer badly it's like having a persistent head-cold."

found that even the most pristine, modern office block can appear to be a health hazard. The World Health Organisation estimates the syndrome affects a third of European and North American offices and the Commons environment committee put annual cost to UK economy as anywhere between £300m and more than £600m in absenteeism.

"You have not only your normal workload, you have the fact that the building is making you feel ill or not up to par. For the people who suffer badly it's like having a head-cold."

Yet the Health and Safety Executive said this month that 20 years of research had failed to establish the precise cause or cure for the condition.

At St John's House many of the 2,000 staff began complaining of sore throats, dry eyes, headaches and coughs in 1981

as soon as they started working there. They said their symptoms came on at work and their families seemed immune. They blamed the building.

Mr Rogan said: "People would arrive in the morning feeling fine and by late afternoon feel so bad they would have to go home or take a break outside."

The management initially dismissed numerous complaints as resentment at the move or stress from the upheaval. But a 1988 staff survey found that more than 40 per cent of employees regularly went home early because of discomfort at work. The report said St John's House had the characteristics of a "sick building".

This year Property Holdings, the government's building manager, received Treasury approval for an overhaul of the air conditioning system, new fixtures, fittings and some structural alterations that will cost about £20m over the next three financial years. Property Holdings is keen to stress the works will address several

problems affecting the 1960s-built offices, not just sick building syndrome.

While it is hard to find a company that will admit to a sick building, there are some celebrated examples. In the US, the Environmental Protection Agency was called in to investigate a mysterious illness affecting 70 staff at its own headquarters.

In 1984 the Public Records Office in Richmond, west London, was closed for about four months for an overhaul after sick building syndrome was diagnosed.

Dr Leslie Hawkins, director of the occupational health service at Surrey University's Robens Institute and an authority on the syndrome, said the label "sick building syndrome" is often misused.

"Sometimes we are called in where 10 or 15 per cent of staff complain of headaches. That's no different to what the population as a whole suffers."

He believes that where a higher than normal proportion of staff report symptoms ranging from irritated eyes, noses, and throats to menstrual disor-

ders, and where those symptoms are triggered by office work, it is likely the building is sick.

Difficulties with diagnosis are outstripped by the problems of determining causes. The executive's 121-page review of recent research concluded that while the sources of the individual symptoms are likely to indicate the sources of

Cheaply constructed buildings with poorer air conditioning systems, especially public-sector buildings built in the 1970s have had more difficulties than others.

the syndrome itself, the field of possible causes is still wide and no single factor can account for the condition.

The most popular theory is poor air quality, which researchers explain variously as the result of windows that do not open and faulty air con-

ditioning systems, or some other as yet undiscovered, pollutant. Researchers have also examined noise, artificial lighting, static electricity and electromagnetic fields.

The executive found that, in general, cheaply constructed buildings with poorer air conditioning systems, especially public-sector buildings built in the 1970s have had more difficulties than others.

One cause favoured by some employers confronted with complaints about alleged sick buildings is that the symptoms are the products of the sufferers' minds. They say the syndrome is more common among women, those doing boring jobs, those doing low paid jobs as well as those with a history of allergy.

The executive's report argues there is little to show that the syndrome is psychological in origin. But Dr Hawkins believes stress is an important factor.

He claims: "I have seen cases where it is not the building that is the problem but what goes on inside it."

Bank

their forecast. Now, with just four or five of them left, they are "owned" by the bank.

The other group, including two entirely new sections, could now use their time in the bank - the shape of the economic recovery, the price and costs of gifts auctions, analyses of bond yields and the effect of repossessions on the housing market.

A year on and Professor King is pleased with the results of the reorganisation. The division's ideas are being collected into the Bank, he says.

One or two of the younger economists still grumble that their work goes unrecognised and that ED research remains unlikely to influence policy makers. But Prof King has succeeded in bringing ED closer to the heart of the Bank.

One of the division's younger economists working in the quantitative financial economics group - home to the Bank's so-called "rocket scientists" - has recently returned from a job elsewhere in the City.

"Getting me to come back would have taken about five or six months and a sub-committee a few years ago, but at the time it took a couple of phone calls," he said. "This place is changed a lot."

Emma Tucker

next month. Dr Pirie argues a system whereby "parents go together, perhaps to local businesses to find out about schools which can help with their children's needs."

The Department for Education should consider properly and bring a guidance unit for parents and teachers to start new schools. Dr Pirie, a member of the government's panel of advisers, says the current system is "already close to collapse" and that a new system will become "the norm" for schools.

Drug tests for Tube workers

Thousands of London Underground staff face random drug and alcohol tests as part of a new initiative between the police and railway managers to combat a crime wave.

London Underground is now taking measures to ensure that a range of drugs and alcohol are not used by staff. The initiative is part of a new "zero tolerance" policy for drug and alcohol use by staff.

The new policy will mean that staff who are found to be using drugs or alcohol will be suspended from work. The initiative is part of a new "zero tolerance" policy for drug and alcohol use by staff.

Business school professor name

The name of a business school professor has been changed to reflect his new role. The change is part of a new initiative to ensure that the school's name reflects its current focus.

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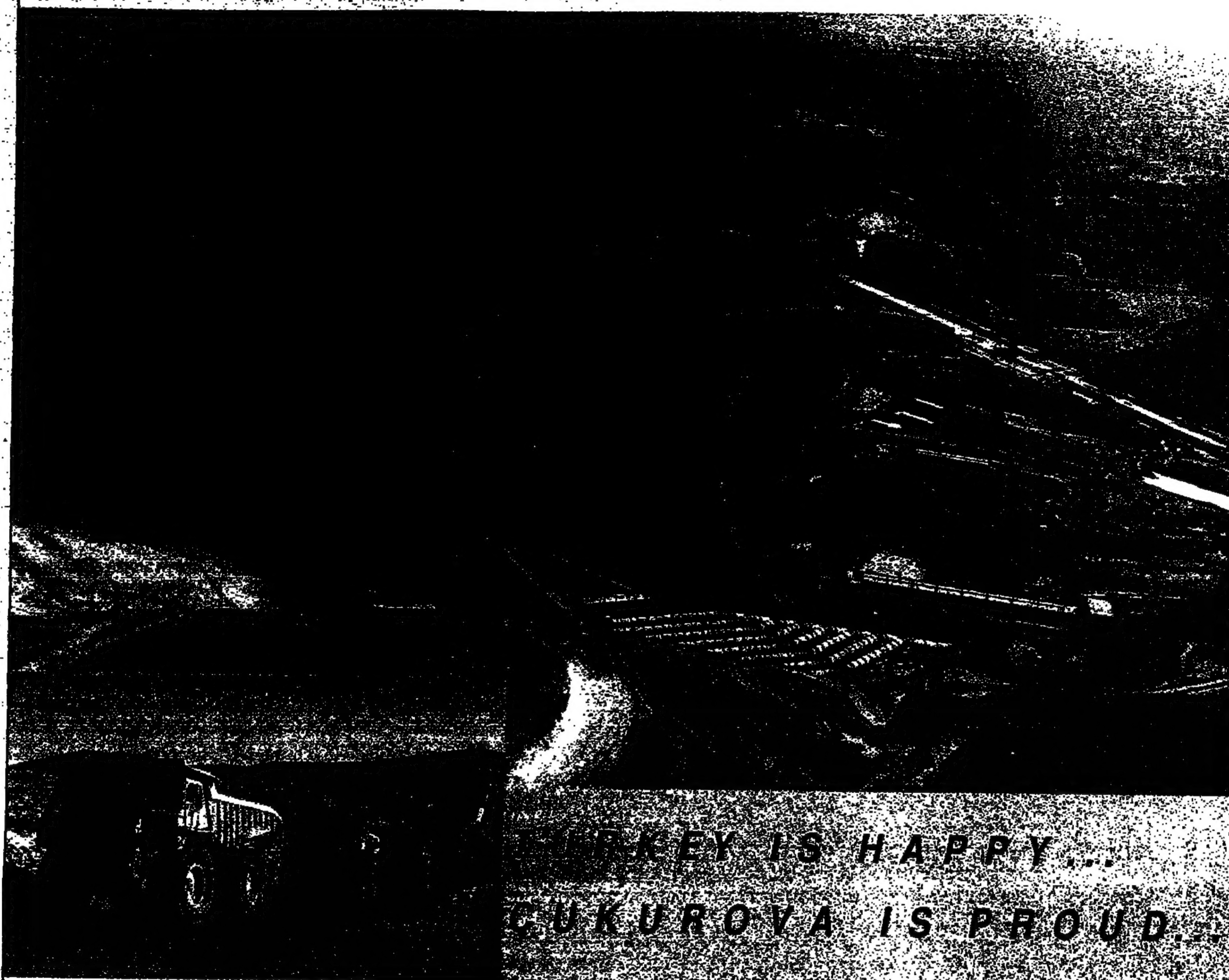
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It is with great pleasure that ÇUKUROVA wishes all those involved with this project continued success and we take pride that such an important project has been completed on time by the Turkish contractor, Ata İnşaat. Our congratulations to them for the successful completion of the ATATÜRK DAM.



FIGURES... FIGURES...

CATERPILLAR EQUIPMENT USED AT ATATÜRK DAM PROJECT: 200 x 777-777B, 40 x 769C OFF-HIGHWAY TRUCKS, 68 x D8L, D9L, D10 TRACK TYPE TRACTORS, 5 x 834B WHEEL TYPE TRACTORS, 40 x 992C, 15 x 988B, 10 x 966, 6 x 926 WHEEL TYPE LOADERS, 20 x 14G, 16G MOTOR GRADERS, 8 x 245BH, 2 x 225 HYDRAULIC EXCAVATORS, 6 x 825C COMPACTORS, 2 x 943 TRACK TYPE LOADERS, 3 x V330B LIFT TRUCKS, 26 x 3304, 3406, 3412 GENERATOR SETS... 1 x 3608 AND 1 x 3412 GENERATOR SETS WILL CONTINUE TO SERVE AT THE DAM DURING ITS OPERATION.



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MANAGEMENT: THE GROWING BUSINESS

Brokers drive a hard bargain



JUST THE JOB

If you possess a passable telephone manner, a flair for negotiating, and a modicum of knowledge about the motor trade, you could become a car broker - someone who offers new vehicles for sale at well below list price.

The returns from this line of business can be high. Brokers add a "mark-up" to the reduced "on the road" price of the vehicle after negotiating with the dealer. They get around 15 per cent discount on the list price from a dealer and then sell on at a 13 per cent discount. On average, an experienced car broker can earn more than £1,000 per week, and a beginner can expect to earn around £350.

But how do you begin? You should start by renting a small office equipped with a phone, stationery, and a copy of the Yellow Pages, which contains a list of car dealers who hold the appropriate franchise. You will then need to advertise in local newspapers. Before you take that step, you would be wise to study the ads in motoring magazines to learn how the experienced car brokers operate.

When a customer responds to your advertisement, take down the details of the requested car model, then contact the dealers. Begin by telling them you are a car broker, or they will not be willing to negotiate.

Once the quote has been accepted by the car-buyer, the dealer delivers the vehicle directly to the buyer, receives payment and forwards the agreed commission to the broker.

This symbiotic relationship between the car dealer and broker is flourishing now that car tax has been halved. Furthermore, because cars in several European countries can cost 40 per cent less than cars made in the UK, the EC's competition directorate has drafted rules which may force down UK car prices.

Thomas Siemen

When the Japanese economy sneezes, it is its small businesses that catch cold.

During previous economic downturns, small companies served as shock absorbers to ease their big business customers over economic bumps. In their role as subcontractors, small industrial concerns were often forced by their big clients to cut profit margins for the components they supplied.

But small companies are now more successful in resisting profit squeezes and weathering hard times. Although the number of bankruptcies has doubled among small and medium-sized businesses since the height of the economic boom two years ago, it is no worse than in 1987, when the economy suffered from the yen's sharp appreciation. In addition, the percentage of bankruptcies among industrial companies has fallen, while that for finance companies and small retail outlets has grown.

One main reason for their survival, according to Tsuyoshi Nakai, director for research of the Ministry of International Trade and Industry's Small and Medium Enterprise Agency, is that many small manufacturing companies built up large capital reserves during the economic boom of the late 1980s.

They also avoided investments in overvalued land and securities, and used their earnings instead to acquire capital assets such as machinery. "The good liquidity situation means that most small and medium businesses can survive for another year or two before encountering severe difficulties," said Nakai.

One good sign is that the profitability of small concerns, measured by the ratio of earnings to sales, is not much different from the country's big companies. Companies that have gone bankrupt have tended to be ones which over-invested in production technology in the belief that the economy would keep expanding rapidly.

The small business sector has benefited from a gradual restructuring. About half of the small companies work as subcontractors to bigger concerns, but they are reducing their dependence on a single company. "The keiretsu relationship is gradually disappearing as small companies develop niche products that they can sell to several customers," said Nakai. "We are shifting from a pyramid structure, with one company dominating thousands of suppliers, to a network system that is more egalitarian."

This has enabled small companies to assert themselves and refuse to accept price cuts. Those with advanced products have a better bargaining position than ones that turn out basic components.

Japanese small companies are coping with hard times but whether they can continue to do so remains questionable, reports John Burton

A longer life-line



Fortune telling: the future of many small companies is in doubt

The Arakawa district in Tokyo, for example, is home to more than 8,000 closely-packed family-owned workshops, with most employing fewer than 20 people. Almost all are subcontractors producing components for the car industry as well as parts for bicycles, furniture and electrical appliances.

The downturn in the motor industry has particularly hurt the district, with a 60 per cent drop in orders from a peak period in the early 1990s. "Although demand is

shrinking, companies are reluctant to reduce prices because of the need to pay back loans and maintain wages," said Masahiro Kitagawa, deputy director of the Arakawa branch of the Tokyo Chamber of Commerce. "Instead, they are reducing their workforce, with some companies now only relying on family members."

The fall in land prices has had a beneficial effect on companies operating in central Tokyo. "The high rents that drove some companies

out of the district are coming down. This is easing the financial pressure on businesses here," Kitagawa adds.

But concerns remain about the long-term future of small businesses. It is difficult for small concerns to get bank loans, and their ability to attract labour will become more difficult as the economy improves. "Many of the family workers are even finding it tough to persuade their children to carry on the business," explains Atsushi Yamachi, the project manager for the Arakawa Chamber of Commerce.

These problems are not limited to Arakawa; they threaten the future of Japanese small businesses. The need for Japanese banks to improve their capital adequacy ratios could curb loans to small businesses. Even small concerns that have used their own land as collateral may find it difficult to secure new loans if land prices fall drastically.

"The tightening of credit to small businesses will damage their efforts to develop new technologies, attract skilled workers such as engineers, and introduce automation to replace workers," said Nakai.

Moreover, automation may not be a practicable solution for companies too small to use it effectively. Instead, they will need to attract workers in a country suffering a serious labour shortage.

Finding new workers is likely to prove a formidable task. Wages are lower and working hours longer at small companies. They are also associated with 3-D ("dirty, difficult and dangerous") jobs that most young Japanese now shun. The government is encouraging small companies to improve their image by reducing working hours, but most concerns are reluctant to do so because this will increase costs.

Instead, they are pressing the government to increase the number of cheaper foreign labourers allowed into Japan. Small companies are already among the main employers of illegal workers - mainly from the Middle East and the Indian subcontinent.

All this is discouraging the creation of new small companies. The proportion of new businesses has fallen to 4 per cent of the total number of companies, compared with 6 per cent 10 years ago. The ratio is lower for manufacturing concerns - at 3 per cent.

Nakai believes that, if steps are taken, there could be a resurgence of small businesses. Local governments should promote small businesses which would serve as the focal point for regional development, with each area specialising in a few industries. Small businesses could also co-operate in such activities as distribution and marketing, in order to reduce costs and increase their efficiency. Finally, they could seek foreign investment.

Consultancy and fool's gold

By Sarah Hegarty

For John Ryan, consultancy is a dirty word. Three years ago as the director of a small business making satellite television equipment, he had the chance to expand into the German market. Aware that he needed advice, Ryan (not his real name) contacted his local branch of the Department of Trade and Industry, hoping for the subsidised consultancy help advertised as part of the DIT's Enterprise Initiative.

According to Ryan, he "got nowhere" with his approaches to the DIT. He thought the help on offer was half the cost of one of the company directors going to Germany. Instead, after "many weeks of phone calls and discussions", it emerged that the DIT would provide a representative, and would pay half his costs.

Ryan was disappointed: "I didn't think anyone representing us could have done as good a job as we would ourselves. And I didn't want to pay half the cost of the consultant's holiday."

He felt part of the problem was the size of his business - it only employed eight staff, but "they were treating us like a big firm". According to the Federation of Small Businesses, Ryan was not alone. Around the same period, the FSB's Birmingham office received many complaints about the quality of consultancy advice to small businesses under the Enterprise Initiative. The result was a meeting between the FSB and the local DIT office to reinforce small business needs.

Both sides now agree things have improved: according to the local DIT office, in the last year they have had only a handful of complaints, yet have a total of 2,400 consultants on their books. FSB spokeswoman Fay Goodman cautiously agrees. "We haven't had as many complaints in the last year, but more small businesses have been going bust, and they don't have the money to get consultancy advice. We still get the impression there are problems."

Under the Enterprise Initiative, companies with less than 500 employees can apply to the DIT for

consultancy help. This can range from five to 15 days' work, and half the costs will be paid by the DIT. In some areas of the UK the department meets two-thirds of the cost.

According to the DIT, the role of matching consultant to company is the responsibility of the organisations contracted to run the scheme. These each cover a separate area, from design (the Design Council) to marketing (the Chartered Institute of Marketing) and business planning (the Industrial Support Ltd).

At the Design Council, Helen Ives-Rose manages the Enterprise Initiative design consultancy scheme. She says the council has 576 consultancy practices on its books. "To be considered for the scheme, they have to have been in business for at least two years and be able to show successfully completed work."

Ives-Rose admits that some small firms can be disappointed with the help they get. "We do try to stress that they are unlikely to get a completed project with 15 days' work. She adds that companies have to understand that consultancy advice is expensive. "There's no point in them getting advice really

cheaply and then wanting to carry on on their own and finding out that they can't afford it." The DIT is confident that any complaints about the scheme are picked up by its independent evaluations; according to a spokesman, studies carried out in June 1989 and February 1991 found that "over 50 per cent of the 420 firms questioned were now more likely to use consultancy help in the future" and "84 per cent reported that the scheme represented value for money".

But at the FSB, Fay Goodman warns small businesses not to be over-impressed with the idea of consultancy. "It can sound so wonderful, and people do think it's the answer to all their problems." For John Ryan, going it alone is now the only answer. After the collapse of his satellite TV equipment business he is starting up again, but in a different field. "I'm not asking for any help now - you've got to do it yourself."

There's no point in them getting advice really cheaply and then wanting to carry on on their own and finding out that they can't afford it'

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LEGAL NOTICES

In the High Court of Justice No. 006142 of 1992
Chancery Division

IN THE MATTER OF UNICHEM PLC

AND

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN, that the Order of the High Court of Justice (Chancery Division) dated 27 July, 1992 confirming the cancellation of the Share Premium Account of the above named Company in the sum of £75,530,266.55 was registered by the Registrar of Companies on 12th August 1992.

Dated this 18th day of August 1992

Rakisons 27 Chancery Lane, London WC2A 1NF
Solicitors for the above-named Company

FRANCHISING

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Gavin Bishop
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Fax: 071-873 3064

Full sources: BMRB Business Survey 1991

FT SURVEYS

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PUBLIC NOTICES

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This service was previously operated by B.C. Stena Line Ltd. and before that by British Columbia Steamship Company (1975) Ltd. The offering includes access to ferry terminals in Victoria and Seattle.

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Proposals interested in receiving a copy of the Request for Proposals package should contact the Project Officer at the following address:

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c/o 1117 Wharf Street
Victoria, British Columbia
Canada V8W 2Z2



Attention Lisa Gow, Project Manager
Telephone: (604) 387-0125 Facsimile: (604) 356-6555

Proposals submitted under this Request for Proposals must be received at the Project Office no later than 5:00 p.m. September 30, 1992

COMPANY NOTICES

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HEREBY GIVES NOTICE that it has received the following notification under the Listed Companies Disclosure Act:

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Amsterdam, 17th July 1992

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TECHNOLOGY

Sematech funding in doubt

The US Department of Defence Advanced Research Projects Agency (Darpa) plans to phase out funding specifically designated for Sematech, the US semiconductor industry research consortium, according to a report prepared by the General Accounting Office, the Congressional watchdog agency.

Although Darpa plans to continue to spend \$80m (£42m) per year for the next four years on chip manufacturing research, the defence agency is turning its priorities towards military rather than industrial needs.

The future of Sematech does not appear to be in doubt, but the change is significant. It signals an end to the Sematech model of industry-government collaboration that has placed the consortium at the centre of an ideological debate over "industrial policy", since its formation in 1987.

For the past five years, Sematech has been in the unique position of receiving government funding for its efforts to boost the international competitiveness of an industry segment. It was established to enable the US semiconductor industry to regain world leadership in chip manufacturing.

In the future, if Darpa has its way, Sematech will receive government money only on a project basis. Like any contractor it will have to meet its goals with those of the defence agency.

However, Darpa's decision has come as no surprise to Sematech. The consortium is already emphasising the defence value of its efforts and is downplaying its crusade for government intervention to prevent the US losing its technological lead.

Sematech officials remain cautiously confident that it will continue to receive Darpa funding at the desired level of \$100m per year. A Darpa proposal to reduce fiscal 1993 funding to \$80m has been countered in Congress.

Darpa's change of strategy is hardly the final word. Congress may well restore direct funding for the consortium. What is more, a change of president would all but assure Sematech's future. Al Gore, the democratic vice presidential candidate, is a strong advocate of the US high-technology industry.

Louise Kehoe

Looking over British Steel's tinplate works in a steep valley at Ebbw Vale is a somewhat forbidding structure. It may not win any architectural awards but its contents hold the key to a problem that British manufacturers frequently ignore.

Over the past decade, industrialists have modernised their production processes to survive in increasingly competitive markets, but updating the warehouse next door tends to get overlooked.

"Companies worry about the introduction of automation that does not come within the sphere of their experience," says Jack Haggett, managing director of Haden Technology, the UK warehouse technology and logistics company. "There's a little bit of technofear."

At Ebbw Vale, British Steel decided some six years ago to bring its warehouse up to the same technological standard as its production plant by introducing a modern storage and handling system.

The aim, says British Steel, was to achieve a much-improved delivery performance, better stock control, save energy - automated systems can work in the dark - and reduce damage by cutting manual intervention to a minimum.

The solution was commissioned in 1990 - a 32-metre-tall automated highbay warehouse with 14,748 rack locations for tinplate coils and bulks, packed with automatic guided vehicles (AGVs), stacker cranes and conveyors and controlled by a computerised management system linked to the British Steel tinplate computer.

With the warehouse fully operational, all the expected savings have been achieved, says British Steel.

Highbay warehouses sit like giant shoe boxes on their long sides throughout continental Europe, but are rather thinner on the ground in the UK. Haggett, whose Letchworth-based company designed the Ebbw Vale system, says Germany is investing 10 times as much in automated warehousing as the UK.

There are a number of reasons for this, he says. Planning problems are a genuine concern in the UK - highbay warehouses may not be rejected outright by planning authorities but often have to be enhanced externally, thus raising the cost.

UK industry also demands a 20-25 per cent return on its capital, which does not seem to be the case in Germany, says Haggett. "There they look at the whole life cost of whether, for example, it is cheaper to use wheelbarrows or conveyors."

Then again, a cheaper low-rise warehouse may lose some of the efficiency gains of its highbay counterparts, but is easier to convert to other uses. "That's a perceived problem with highbay warehouses

Andrew Baxter describes how the humble warehouse is opening its doors to automation

Robots in bulk



in the UK," says Haggett.

Joachim Miebach, founder of Frankfurt-based Miebach Logistic Systems, offers another reason for the different approach in the UK, where the company has recently undertaken a number of big automated warehousing and logistics projects via its office in Oxford.

"I have a feeling that in the UK there is some reluctance to use machinery to solve a warehousing problem, and a preference to use IT only - barcoding, checking systems and sophisticated inventory control."

"In Switzerland, and especially in Germany, the tendency is to start with the machinery - highbay

warehouses and stacker cranes. These have to be automated, so IT is a necessary consequence."

The recession has also had a damaging effect on UK automated warehousing investments, reducing the market to about a quarter of its level at the end of the 1980s. However, UK inquiry levels have recently risen just as continental European business begins to slow.

Redressing the balance in the UK will depend partly on companies such as Haden and Miebach raising their profile. "All our work shows there are tremendous cost savings from high-tech automated warehousing," says Haggett. "But it is

hard to break through the barriers."

One way to achieve it is to have allies among the customers. Assuming a company has a fairly high level of activity with fast movement of goods, there then needs to be what Haggett calls a "crazy man" pushing through fundamental change that is "off the process" or separate from the main effort to update production technology.

For the layman, a look inside a highbay warehouse at work might easily bring on an attack of "technofear". Deciding the right combination of the available technologies, organising equipment purchases from a big range of mainly continental suppliers, and taking turnkey responsibility for the warehouse and its integration with production is a challenging task.

Over the past five years, one of the most important developments in European warehousing has been in attitudes to computer control. Centralised systems controlling all the details have been found to be too costly and time-consuming, leading to a trend towards decentralisation with self-contained computer systems for separate warehouse functions passing up only the necessary data to the main computer.

AGVs, the driverless warehouses of modern warehouses, are also changing, with the traditional wire guidance system being replaced by more sophisticated controls. These could either be a robot-style teaching method, where the AGV repeats a movement automatically after being taken through it manually; or through vision systems which enable the AGV to recognise a pre-programmed route.

But prospects for further applications of robots in warehouses are limited. While well-established, and increasingly reliable, at picking and placing layers of goods, they still have difficulty adapting to the huge variety of goods found at an average warehouse.

Consequently, the trend in warehousing towards fast delivery of small quantities of goods at high frequencies can be hard for a robot to handle, although they are making a mark in niche markets such as in pharmaceutical warehouses, where packages are more uniform.

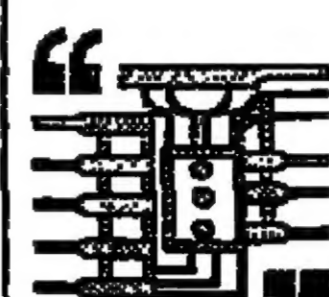
Companies like Haden and Miebach spend a lot of time talking to robotics suppliers in the hope of pushing for improvements, but the real problem, says Miebach, is that "we have not come across the warehouse robot that can imitate the movement of the human hand."

Sometimes, though, there are occasions when no mechanical solutions are necessary. "There have been times when we've told a client to paint a few lines on the floor, buy a PC with a warehouse management program, and the problem will be solved," says Haggett.

Technically Speaking

Multimedia and the consumer

By Robert Thompson



THE "multimedia" clans gathered recently in the Japanese resort of Hakone intent upon participating in the

birth of a huge new market for products that exploit the confluence of electronics and the arts. Each of the 100 or so delegates representing leaders in the graphic arts, the computer industry, publishing, consumer electronics and film all appeared confident that by forming partnerships they can create products with vast potential.

Yet they stumbled in attempting to identify future uses of multimedia, and puzzled over how to charge customers for yet-to-be-defined products and services.

After years of such industry gatherings, initially attracting computer and consumer electronics executives but now drawing a more diverse crowd, multimedia is still a solution looking for a problem; an intriguing combination of technologies that has yet to find a commercial outlet.

Delegates in Japan were quick to congratulate each other on being "visionaries" by their mere presence at the conference, but there was a somewhat snooty presumption that consumers are not visionary because they may be reluctant to purchase the "new media" products of the future.

It was broadly suggested that "consumers will not determine" the success of new technologies and that industry must lead the consumer into the future. This, despite the obvious absence of direction within the multi-industry group and the failure of most consumer electronics companies to come up with successful new products over the past few years.

Neither have the personal computer companies much to crow about. With PC hardware now reduced to a "commodity", they rely almost entirely upon the ingenuity of semiconductor suppliers and software developers to provide evolutionary improvements in their products as the early flare of the "PC revolution" fades.

products to boost their fortunes. So it is hardly surprising that they should promote the exciting potential of multimedia.

In an attempt to make the Hakone conference an important step along the way to the "convergence" of multimedia industries, John Sculley, chairman of Apple Computer, produced a list of six proposals that all participants were supposed to echo into their corporate agendas.

● Hardware makers, such as Apple, will need to create a "platform" for multimedia. Apple itself vowed to increase sharply production of computers with compact disk capacity.

● The hardware and software industries should establish a "New Media Centre" that would provide facilities for experimenting with technologies and space for artists to increase the flow of software for these technologies.

● Diverse companies should exchange more information electronically in a "Virtual Forum". As a first step, Sculley announced that Apple will open up its electronic mail services to other systems to encourage communication.

● The technology industry should create "hypernetworks", communications systems that speed the convergence of text, graphics, video and sound.

● A working group should be established to devise standards for the publication, sale and distribution of multimedia materials and propose updates to intellectual property laws to fit the new technologies.

● The industry should refine multimedia technology for educational applications. In the future, Sculley suggested, the "haves and have-nots" will be defined as those who do or do not have access to multimedia technology.

As these proposals demonstrate, there are many hurdles to be overcome before multimedia can reach its full potential in the marketplace. Inter-industry partnerships may be important, yet in the self-congratulatory atmosphere of Hakone there is a danger that this industry intelligentsia may lose sight of its ultimate goal - the consumer.

PEOPLE

Lucas recruits from customer

Barry Gibbons has taken another step towards GRAND METROPOLITAN's boardroom with his appointment as chairman of Burger King.

Gibbons, 46, former chairman and managing director of GrandMet Retailing, was sent out to Florida from the UK as chief executive of Burger King to mastermind the restructuring of the US fast food chain soon after it came into the group with the 1989 Pillsbury acquisition.

"He has achieved an exceptional record of accomplishments in management and improved profitability," said Ian Martin, GrandMet's chief operating officer, whom Gibbons succeeds as head of Burger King.

Gibbons, already a member of GrandMet's group operations committee which deals with development policy and strategy, will now function "as Burger King's link to GrandMet," Martin added. At the same time, James Adamson, president of Burger King's US retail arm, has been promoted to the new post of chief operating officer, worldwide. Adamson, 44, who has overseen improvements in service, marketing, and profitability in the company-owned US outlets, will be responsible for operational standards of the business throughout the world.

Lucas Industries, the Midlands-based motor and aerospace components manufacturer, has found a senior executive from its biggest customer, Ford, to fill the finance director spot left vacant when David Hankinson resigned unexpectedly in March.

Belfast-born John Grant, who joined the US motor giant in 1967, has worked his way up through the treasury side of Ford in both Europe and the US, becoming treasurer of Ford Europe in 1985. Later appointed executive director of corporate strategy of Ford based in Detroit, he had been a key player in the acquisition of Jaguar in 1980, and hence was drafted in, as deputy chairman and number two to Bill Hayden, by Ford after the purchase.

With his planning and finance background, his job was to map out a fresh business plan for the luxury car-maker that fitted in with the style and expanded resources of the new parent.

While some saw him as the heir-apparent to Hayden, who retired in the spring, he clearly did not have the strong engineering and manufacturing background - the areas Ford had identified as priorities for



attention at Jaguar.

After the appointment of Nick Schoele to the top job, Grant stayed on in the UK with a "special assignment" to Jaguar Sport for a few months. By the time his next assignment emerged, executive director of international financing at Ford Financial Services Group, Lucas had already made the approach - although Grant still took up the Detroit job before the Lucas offer was finalised.

Sir Anthony Gill, Lucas chairman, believes 46-year-old Grant, with his auto industry and international financial experience, will complement well the skills of Tony Edwards, 47, the former head of the aerospace division, who is now group managing director and chief executive designate. Grant's predecessor, Hankinson, also came from a car manufacturer - in his case Rover.

Grant joins at the beginning of September, about six weeks before Lucas, which has been hard hit by the recession, unveils its results for the year to July 1992.

Rab Telfer has stepped down as executive chairman of ISI Standards, the largest division of the British Standards Institution, after three years in the job. Telfer, 61, whose children gave him a metal detector "as a retirement present" several jobs ago, retired as chairman of the petrochemicals division of ICI in 1981.

But he then became chairman and managing director of Mather & Platt during a period of stern rationalisation: in the mid 1980s he spent four years as director of the Manchester Business School; and he then chaired a management buy-out of the fasteners division of GKN.

The achievement he claims for his time at ISI, during which the approach of the European single market has greatly expanded the load, is a major transformation in the efficiency of what is primarily a voluntary organisation. When he arrived, about a year would elapse between the technical committees signing off on standards and the final product being published, whereas it now takes around six weeks, according to Telfer.

He has recently been appointed chairman of the governors of the new University of Teesside and is also on the Higher Education Funding Council for England, which officially comes into being early next year.

The ISI has not yet appointed a successor.

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BUSINESS LAW

Need to rethink Russian reform

By William Lee

One year after the failed Moscow coup, western attitudes towards reform in Russia under President Boris Yeltsin are changing.

At first, emphasis was placed on "shock" economic reforms advocated by the International Monetary Fund and on the efficiency of Korean, Taiwanese and German economic reform models, as if these models were relevant.

The need for massive western aid was justified by suggesting that the fate of democracy in Russia (and other former Communist bloc countries) would ultimately be determined on the economic front.

The advocates of the IMF approach - rapid introduction of mass privatisation and liberalisation of the entire economy - believed that it was necessary to push through unpopular economic measures. The Russian dissenters - parliamentarians and the old-line Soviet industrial elite - said that the IMF's prescriptions were too simplistic. They pointed out that it took centuries to develop the western capitalist economies. And their research showed that there were strong non-market elements such as subsidies and protectionist tariff barriers involved in growth in Korea and Taiwan, for example.

They also argued that successful western (and Asian) economies are mixed and pluralistic. There are large public sectors, unions, pressure groups and so on that do not yet exist in Russia. The elite's criticisms were, to a large extent, valid, and since spring this year they have succeeded in slowing down the reforms pressed on President Yeltsin by the IMF.

Convertibility of the rouble has been deferred; the industrial elite has returned to positions of ministerial power and to the Russian central bank; energy prices liberalisation has been postponed; and new credits have been approved for Russian industry - increasing the budget deficit and aggravating inflationary pressures. There is even talk in Moscow of a change of government before the end of September.

The Group of Seven leading industrial nations and the IMF are now reconsidering their approach to Russia. Their reported consideration of increased direct financial aid from western governments fails to take into account the emerging view that the success of economic reform in Russia (and elsewhere in eastern Europe) may depend on constitutional and political reform. Many Russians have concluded that Russia's economic reforms (and those of the other CIS republics) cannot succeed without strong government. This means strong governments in each of the republics and, more importantly, a strong co-ordinating central government in Moscow.

Former President Mikhail Gorbachev's attempt to put together an almost US-style federalism was correct. *Perestroika* - intended to strengthen Soviet central authority through elimination of inefficient Communist party political control and the introduction of local autonomy - was and is the only right answer to the realities of the ex-Soviet Union.

Recent efforts to prepare the Soviet auto industry for privatisation support a federal approach. There are tens of car and truck plants spread across a number of republics and organised in a mutually dependent system. A car or truck cannot be assembled in Moscow without parts from other plants. Privatisation is impossible as long as plant managers do not work together.

Furthermore, the auto industry is simply too big to be privatised right away. Yet, there is a great deal of modern equipment, a large and expanding internal market and good prospects for increased exports.

In the auto industry - as in others - central governmental assistance to maintain the output of the principal plants, credit to permit acquisition of important spare parts and transitional tariff protection are necessary. This needs to be co-ordinated from the centre. Russia cannot move forward on the basis of economic guidance alone. Yet, until now, the G7 nations have turned over the whole of the Russian problem to the IMF. This has been a mistake. The IMF has no answer to the present situation in Russia. The G7 countries need to

provide another kind of advice - to move towards a form of "political conditionality" in the Russian situation. This would mean encouraging strong government as a prerequisite to financial and other assistance.

The west should not operate competing embassies and offices in each of the republics of the CIS - accepting as a *fait accompli* the complete collapse of the Soviet Union as a political entity. On the contrary it should be pressing Russia and the other republics to study and adapt relevant political models - ranging from the Swiss cantonal system through the Canadian and EC confederations to the US federal model.

Without something like the US constitution's commerce clause - establishing federal supremacy in matters involving interstate commercial relations - the ex-Soviet Union's economy will never be a single economy and must be treated as such by the political system.

If a "commerce clause" approach is not adopted, economic chaos, civil war and eventual intervention by the military may be the result.

Therefore, at this stage in Russia's transition from communism, political and constitutional reform should receive a higher priority than it has to date.

What are the implications of all this for the west?

First, the impulse to react by seeking to increase direct economic aid should be resisted by the G7. The problem in Russia (and elsewhere in eastern Europe) is not money. Investments and foreign assistance

would largely be wasted under current conditions.

Moreover, there is a danger that the present Russian government is placing too much confidence in foreign economic counsel. If the results are a failure - as is likely without necessary constitutional and political change - Russia will be disillusioned and bitter.

Already Russian leaders such as Vice-President Alexander Rutskoi have expressed a desire to go it alone. Western governments need to listen to these voices.

Second, as President Yeltsin enters a period of maximum danger - not unlike that which preceded Mr Gorbachev's downfall - the G7 leadership should not be reluctant to support the creation of a strong federal government in Moscow, even at the risk of further deviation from the IMF's usual nostrums.

The west should begin to give advice on possible legal and constitutional reforms before it is too late. Such advice should not be given through the IMF. A new forum needs to be created. The G7 should encourage the Russians themselves to recruit a small multinational group of pragmatic political advisers to work with the Russian presidency, the Russian Supreme Soviet and the leadership of other ex-Soviet republics to bring forward new possibilities for creation of a federal constitutional and legal system in the former Soviet Union.

The author is a US lawyer, an international political and business adviser and president of the Triangle Group of companies.

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PPI Holdings B.V.

PPI Holdings B.V. announces that it has entered into an agreement for the sale of the PPI Del Monte Fresh Produce Group, one of its investment assets, completion of which is expected to take place in October 1992. After repayment of amounts owed to the syndicate of banks which financed the initial acquisition of the PPI Del Monte Fresh Produce Group, the proceeds of sale will be paid to PPI Holdings B.V., to be used to pay its creditors. These include Polly Peck International Finance N.V., Polly Peck International Plc., and Polly Peck Finance Plc. (although the claim of Polly Peck Finance Plc. may be disputed by Polly Peck International Plc.). Following receipt of the net proceeds of sale, the directors of PPI Holdings B.V. hope to effect an interim payment to its creditors as soon as possible.

FINANCIAL TIMES

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Tuesday August 18 1992

Justice for the Moslems

MR JOHN Major returns to London today, interrupting his holiday for talks with senior cabinet colleagues on the Bosnian crisis. In so doing, he inevitably raises expectations that Britain, as president of the EC, is about to take a more decisive lead in dealing with that crisis. If those expectations were to be disappointed, the prime minister would have been much better advised to stay in Spain.

So far, Britain's main contribution has been to call a new, larger peace conference in London next week, whose main purpose seems to be to dilute the responsibility for failure, allowing the EC to lean on the UN. There is certainly plenty of failure to share responsibility for. The republic of Bosnia-Herzegovina, to which the EC solemnly accorded recognition in April, has all but ceased to exist: its government retains control only of a tiny area of territory around the capital, and a few other isolated pockets. Well over a quarter of its inhabitants have been driven from their homes.

Effectively the republic has been partitioned, with the lion's share of the territory going to the Serbs, who make up only a third of the population but are much more heavily armed, thanks to the support of the rump of the Yugoslav People's Army (JNA) stationed in Bosnia. Aiming to be sole masters of the territory in which they live, they have not scrupled to expel its other inhabitants, most of them Moslems, by the most brutal methods, ending the vocabulary of war with a new and horrible euphemism: "ethnic cleansing".

The international community needs now to face up to the magnitude of its failure, rather than hair-splitting over the logistics of humanitarian relief. It must consider how far the consequences are reversible, and how far they form an inescapable if unpleasant reality on which any future arrangements must be built.

Unitary state

The most unpalatable but also most inescapable consequence is that the demographic *status quo ante* cannot be restored. Even if all the atrocities had been committed by one side, it would be unrealistic to expect the victims and the perpetrators to live peacefully intermingled in towns and villages

as they did before. For a long time to come most Bosnians will feel safe only among members of their own community, whether Moslem, Serb, or Croat. Everyone should have the right to return to his or her home, but many in practice will not do so.

That being so, the Moslems will do themselves no good by continuing to insist on a unitary state. However much they may regret agreeing to the EC's "March 18 principles", under which Bosnia-Herzegovina was to become an independent state with three "constituent units", they must know that is now the only imaginable solution. But what is clearly unacceptable is for the Serbs to retain anything like the proportion of territory they now control, and for the Moslems to be confined to the miserable remnant the government has held on to, or to be exiled permanently from the republic. The offer by the Bosnian Serb leader, Mr Radovan Karadzic, to reduce the territory he holds from the claimed 70 per cent to 64 per cent, is outrageous and insulting.

Significant quantities

While the international community cannot put Bosnia-Herzegovina together again as it was before the war, it can insist that the Moslems be allowed a "constituent unit" roughly proportionate to the size of their community - 43 per cent of the population. Mr Karadzic has been able to seize the territory he now holds in the teeth of international condemnation and in spite of sanctions applied to Serbia, from or through which his supply lines run. Those sanctions should not be relaxed until the Serbs agree to relinquish significant quantities of the territory they control.

So Britain must take the lead in advocating extreme firmness towards Serbia, while giving every possible support to the Moslems in their hour of agony. It may be necessary to send troops to protect them in the enclaves where they are now confined, with the supply lines essential to their survival - and later to help them defend their expanded territorial unit. But above all the Serbs must be kept under maximum international pressure until they agree to negotiate a reasonable territorial and constitutional settlement.

Banking on the impossible

LEWIS Carroll's Red Queen, who made it a rule to believe six impossible things before breakfast, would find herself quite at home in international banking.

She would surely have seized with pleasure on the news that Chile's sovereign debt has now achieved an investment-grade rating. After all, that raises the possibility that in time some of the Latin American debtor nations will be rated more highly than the banks who lent to them - something that would certainly have seemed impossible a few breakfasts ago.

Another newly credible impossibility is a world in which investors and depositors must pick and choose just as discriminatingly among individual Swiss and German banks as they now do between those supervised in more traditionally free-wheeling financial centres.

To trace that thought back to its origin, turn to the Red Queen's favourite morning reading, the Bank of England Quarterly Bulletin. The latest edition, published today, contains a study highlighting the remarkably bumpy profits of banks in the most rapidly deregulated financial markets, and the striking difference between the best and worst performers.

In countries with traditionally more regulated and insulated financial sectors, such as Germany and Switzerland, the study says, banks appear to have performed more consistently. "Experience suggests that moving from a regulated cartel-like environment to one in which lending capacity and competition are enhanced opens up more scope for banks' performance to vary according to the quality of management and individual strategies."

Heartily endorsed

That view is one which will be heartily endorsed by the shareholders of many a British or American bank. Shareholders in Germany and Switzerland may in time come to hold similar views, since banking deregulation is now under way in both countries. Omnisciently, commercial real-estate loans, high but stable in Germany throughout the 1980s, are now starting to rise as a proportion of the banks' total lending. That is

just what happened in the US, Japan and the UK in the 1980s - and if the increase proves excessive, German bank shareholders may yet regret the consequences.

Another prospect to please the Red Queen is a banking system which no longer provides the bulk of bank lending to its domestic corporate sector. Between 1980 and 1991, however, the share of total UK bank lending accounted for by foreign banks rose from 26 per cent to 35 per cent. If it continues to grow at the same rate, UK banks will in time find themselves providing only a minority of total domestic lending.

Momentary pause

They may not mind, if they continue to reduce their dependence on interest as a source of profits. Figures in the Bank's study draw attention to another remarkable phenomenon: the speed with which banks have raised their non-interest income in the past decade. Between 1980 and 1991, banks in Britain raised non-interest earnings from 25 per cent of pre-tax income to 43 per cent. In France, the figure rose even more sharply, from 19 per cent in 1980 to 45 per cent in 1990. Last year, banks in the US obtained almost half of their total income - 47 per cent - from non-interest sources, up from 27 per cent in 1980.

Yet the prospect of banks which derive most of their profits from activities other than lending is surely one which merits a momentary pause for thought. The Bank raises its own delicately arched eyebrow: it notes that the benefits from data-processing investment to raise the profitability of non-interest business have so far been modest, and that banks are not alone in pursuing this sort of customer. Investment banks, money-market funds, insurance companies and unit trusts are all spending hard on technology and products, and the banks may not have it all their own way.

The rush into identical markets, with identical products, is part of what got banks into today's mess. If escaping it, managers and shareholders would do well to consider the dangers of creating a similar mess tomorrow. As the Red Queen pointed out: "It's a poor sort of memory that only works backwards."

It is not just Britain's Imperial Chemical Industries that is attempting to reinvent itself. Recession and the increasingly competitive environment in the world chemicals industry has also caused Du Pont, the biggest US chemicals group, to embark upon the most radical restructuring plan in its 190-year history.

The plan, which involves slashing costs, concentrating on core divisions, expanding European and Asian revenues and disposing of non-core assets, will determine whether Du Pont can stay among the leaders of the international chemicals industry during the 1990s. As the eighth-largest of the Fortune 500 companies in the US, with an annual turnover of nearly \$40bn, the restructuring is also a measure of how well US industry is adjusting to the international economic slowdown.

The chemicals sector has been hit hard by recession, both in the US and elsewhere. Profit margins have been squeezed by weak demand, while companies are struggling under a burden of overcapacity and excessive costs. In the US, Du Pont has been badly affected by falling demand from industrial customers, especially in the auto and housing industries.

The common problems facing international chemicals groups have, however, elicited different responses.

In the UK, ICI has announced plans to split off its pharmaceuticals businesses and is engaged in a programme of cost cutting. Similarly, Union Carbide of the US last December set in motion plans to spin off its industrial gases business and create a free-standing company called Praxair. Monsanto, also last of the US, raised \$1.28bn (\$670m) last

Executives admit in private that until recently there was complacency, even lassitude, among the company's ranks

month by selling its Fisher Controls valves division, which it viewed as a non-core business.

Du Pont's strategy has been developed by Mr Edgar Woolard, chairman and chief executive since 1988. It aims to reduce fixed costs by \$3bn, or 30 per cent of the total, by 1996, across its principal divisions: chemicals, fibres, polymers and energy (a division which is dominated by Conoco, the oil company). The total workforce of 130,000 is likely to be reduced by almost 12 per cent.

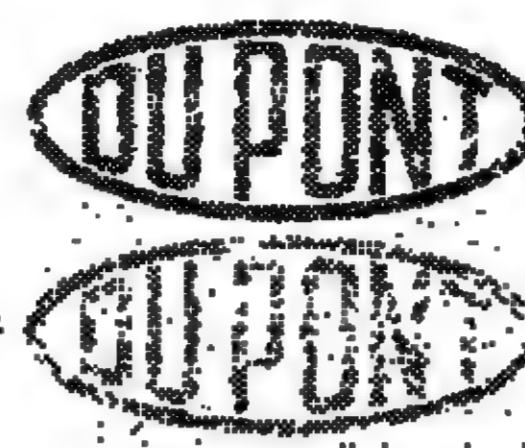
To achieve these goals, Du Pont has already announced plans to cut \$1bn of overheads from the chemicals businesses by 1994, resulting in the loss of 8,300 full-time staff and 3,200 outside contract workers. A separate plan, announced in December 1991, involves cutting a further \$2bn of operating costs across the company, with the estimated elimination of another 7,000 jobs.

Measures to achieve the two other principal prongs of Du Pont's restructuring policy - geographical expansion and a concentration on core businesses - are also being pursued.

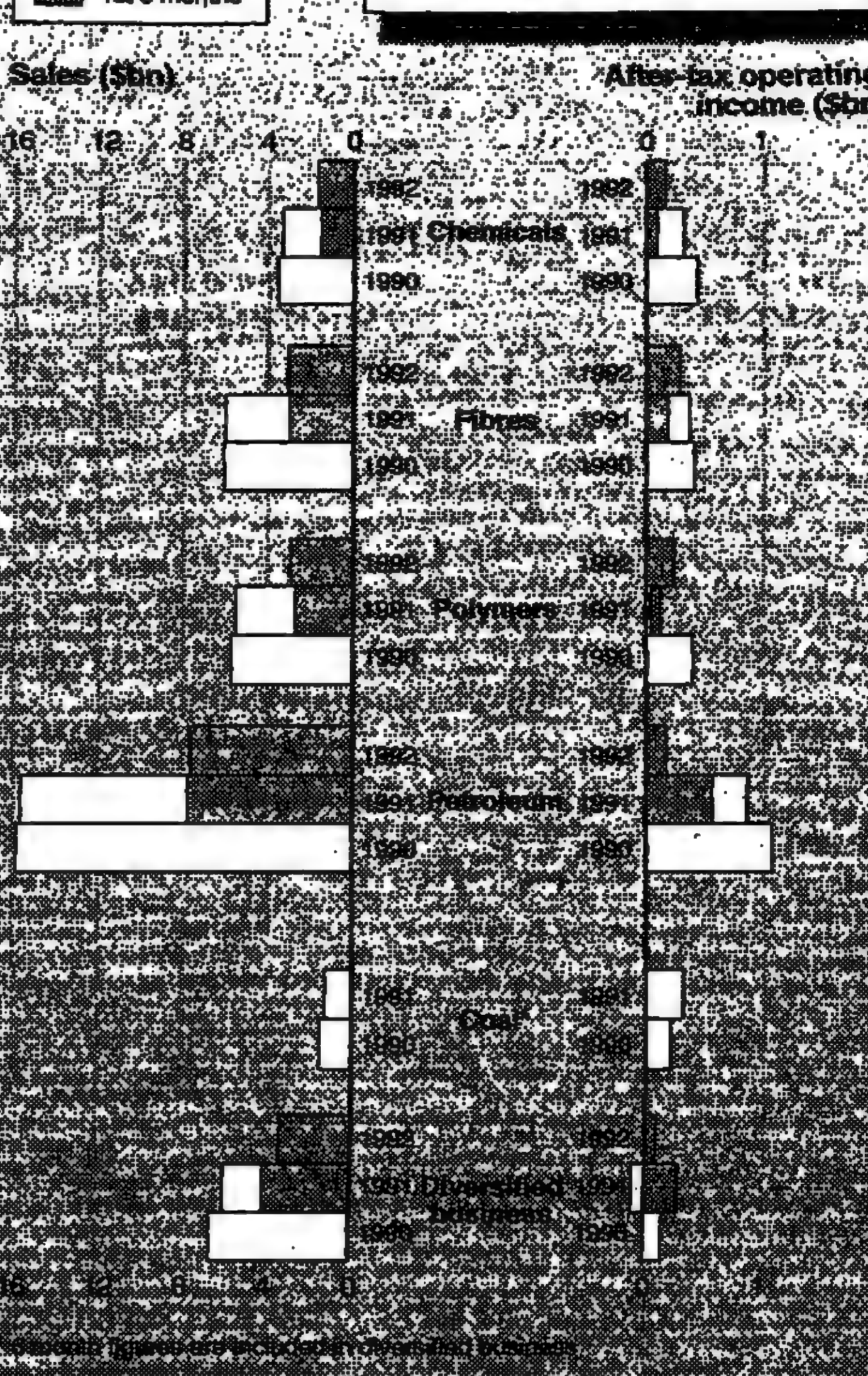
Internationally, Du Pont is seeking to almost treble its non-energy European revenues to \$15bn by the end of the decade, according to Mr David Williamson, president of European operations.

Du Pont, America's biggest chemicals group, is in the process of a radical restructuring, writes Alan Friedman

Shaken to the core



Edgar Woolard: chairman and chief executive



up. Executives admit in private that until quite recently there was much complacency, even lassitude, among the company's ranks.

Mr Woolard himself acknowledges that customers were in the past treated in an arrogant manner and that Du Pont was perceived as a lumbering giant. As a result, the chairman and his colleagues have implemented a rigorous assessment of middle management, replacing and removing those believed to be

underperforming.

The results of Du Pont's far-reaching restructuring programme will take time to feed through. Even company insiders admit that trying to change course at Du Pont is like trying to alter the direction of a super-tanker. It can be done, but slowly.

Yet Du Pont's latest figures for the first half of 1992 show an improvement in underlying profits, once extraordinary items have been

accounted for. In fibres, chemicals and polymers (see accompanying chart) the company's revenues are up only slightly, but profits have benefited from cost cutting. The pharmaceuticals business has also enjoyed a turnaround following the joint venture with Merck. Losses of \$30m a year have been transformed into profits of a similar size.

The Du Pont plan has been helped by the fact that during the 1980s it halved - to about 20 per cent - the proportion of its non-energy turnover of \$22.8bn derived from low-margin bulk chemicals products. The proportion of revenues from such highly competitive and price-driven bulk chemicals is much larger at Dow Chemical and Union Carbide.

The response from Wall Street to Du Pont's restructuring has already been enthusiastic. Du Pont's share price on the New York Stock Exchange has risen by more than 15 per cent since the start of the year, outpacing the S&P 500 index gain of just 1.3 per cent.

Mr John Garcia, a corporate finance executive at Wertheim Schroder, the New York investment bank, says Mr Woolard "is doing a terrific job". He praises the Du Pont chief for "refocusing the corporate culture, forcing the company to be more market-driven, and tackling the cost structure".

Mr Jeff Glanc, a chemicals analyst at the New York investment firm of Bear Stearns, concurs: "Du Pont historically wanted to be the biggest and the best and would spend the most to get there. They have now transformed themselves into a company that will get there by spending less and spending it more efficiently."

But difficulties lie ahead. The consensus among industry analysts is that the US chemicals business will see only modest growth over the

Mr Woolard forcefully rejects the notion - favoured by many on Wall Street - that Conoco should be spun off

next two or three years. "The major problem," says Mr Woolard, "is that many of our large customers are struggling."

In addition, Conoco, the big oil and gas company which is a wholly-owned division of Du Pont, is suffering in line with the US energy industry as a whole. In the second quarter, profits fell by 65 per cent compared with the same period in 1991. This is a particular worry given that the division accounted for about 41 per cent of total group revenues of \$38.7bn in 1991.

Mr Woolard forcefully rejects the notion - favoured by many on Wall Street - that Conoco should be spun off. He believes that its strong cash flow is an important advantage. However, in an effort to trim costs the group plans to cut capital spending at Conoco by 20 per cent this year.

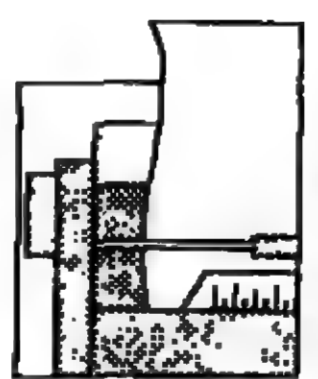
In the current recessionary environment, such a focus on limiting costs and improving margins in core areas is likely to be Du Pont's strategy for the foreseeable future. Mr Woolard and his colleagues will be hoping that having set the course of reform, the direction will be maintained.

As Mr Jeff Glanc of Bear Stearns, concludes: "It takes enormous effort to wake up the dinosaur and change its habits, but once you start the dinosaur moving there is nothing that can stop him."

PERSONAL VIEW

Clintonomics: a clear sense of déjà vu

By Stephen Roach



Governor Bill Clinton's economic plan, Putting People First, is a comprehensive proposal for a significant shift in the US economic policy in the 1990s. The programme is not lacking in details, nor is it timid. But will it work?

Over the next four years, Clinton has proposed a total of \$514bn (\$267bn) in changes on the revenue and spending sides of the federal budget, combined. Of that amount, a little more than 40 per cent represents new spending initiatives and slightly less than 60 per cent reflects proposals to boost revenues. Thus, over this four-year period, the revenue enhancers are expected to exceed the cost of new programmes by only \$50bn, or a little less than \$20bn a year in a world of outsized budget deficits: this hardly qualifies as a miraculous breakthrough.

Indeed, relative to the current estimates of the non-partisan Congressional Budget Office, the Clinton plan would result in only a 7% per cent direct reduction of the cumulative budget deficit projected over the 1993 to 1996 period.

At the same time, Clinton's proposal claims that it will "cut the deficit in half" over the next four years. This result rests on the critical premise that the plan will boost economic growth sufficiently to provide a large windfall of incremental revenue. Clinton offers two possible growth paths, each with a set of deficit projections. In the "moderate growth" scenario (presumably about 3 per cent real GDP growth), the deficit is estimated to be \$141bn

in 1996 - about 25 per cent below current estimates. Only under the "strong growth" scenario (probably 4 to 5 per cent GDP growth) would deficit reduction conform to Clinton's heroic aspirations of cutting the deficit in half. In this case the deficit is estimated to be \$76bn in 1996 - 60 per cent below the latest Budget Office estimates.

This arithmetic is troubling. Four years from now, only 22 per cent of Clinton's targeted deficit reduction comes from the plan's direct effects (that is, annual cuts of about \$20bn). That means fully 78 per cent of the presumed halving of the federal budget deficit is expected to show up as a fiscal dividend from accelerated economic growth.

Do the strengths of the plan outweigh its weaknesses? Sadly, the answer is probably no

To its credit, there is far more to Clinton's plan than evaluating its fiscal potential. Its most noteworthy attribute is to set a bold agenda for a reordering of economic priorities. There are three broad objectives.

The first involves significant shifts in the mix of federal spending over the next four years - changes that account for a little more than half the total \$514bn of proposed policy initiatives. The centrepiece of the new spending initiative is the Rebuild America Fund - \$20bn annually dedicated to infrastructure improvements, a national information network, environmental tech-

nologies and defence conversion. This is the controversial aspect of the programme that most closely resembles an "industrial policy" - complete with a new civilian research agency charged with funding support for a list of critical technologies.

Clinton's plan attempts to pay for these initiatives with a detailed schedule of spending reductions - focusing particularly on defence, where outlays have already been slashed. Indeed defence reductions account for about 40 per cent of all spending cuts proposed over the next four years. The balance of the proposed spending reductions runs the gamut from administrative savings and federal employment cuts to the ending of subsidies to honey producers. In short, the plan is not without its fair share of seemingly dubious proposals for trimming spending.

A second objective pertains to income distribution - changes in the tax code that account for about 33 per cent of the entire \$514bn four-year package. The plan is quite clear as to who foots the bill. It calls for \$22bn in middle-income tax cuts - countered by \$22bn in upper-income tax increases and another \$58bn in corporate tax rises, with the latter largely attained through closing loopholes on foreign business taxes. All in all, over the next four years, the revenue gained from proposed tax increases is likely to outweigh that lost from tax cuts by a factor of about 8% to one. A third objective is human capital enhancement, highlighted by a variety of educational reform proposals.

This summary hardly does the plan full justice. In addition, the



Clinton proposal also gives considerable emphasis to a variety of measures directed at the pressing problems of healthcare reform, foreign trade frictions, crime, urban decay and a bloated governmental bureaucracy. While few stones are left unturned, the question is: how does the plan stack up against the macro imperatives facing the US economy?

Its strengths lie in the powerful growth initiatives aimed at capital formation. Incentives for business capital spending are provided by the combination of a targeted investment tax credit, a permanent research and development tax credit, and a capital gains tax cut for small company start-ups. The programme also offers strong incentives for two other neglected areas - infrastructure and human capital. In my view, reversing course after a decade of anaemic capital formation is critical - especially in sustaining the productivity increases essential for improving America's standard of living.

Clinton's proposal, however, is not without its weaknesses. The most glaring is the credibility of the so-called deficit-reduction plan. Certainly, the last thing America needs is an even wider budget deficit.

Moreover, the programme fails to provide a more concrete assessment of the great jobs issue of the 1990s. Much is said about creating "millions of high-wage jobs" but little is said about who will do the hiring.

Do the strengths of the plan outweigh its weaknesses? Sadly, the answer is probably no. Despite the programme's appreciation of the imperatives of capital formation and productivity enhancement, the lack of a credible strategy of deficit reduction is most disturbing. The fiscal quagmire of the 1980s was Washington's gravest economic policy blunder of the post-second world war era - sapping the vitality of a savings-short economy through a quantum leap in real interest rates. And yet the rhetoric of deficit reduction under Clintonomics smacks clearly of *déjà vu*. America can ill afford to ignore the painful legacy of the past 12 years - namely, that growth incentives will be forever undermined by a nation struggling against the headwind of high real interest rates. Unfortunately, that is the critical lesson the governor has failed to appreciate. The author is principal and senior economist at Morgan Stanley & Co, New York.

When a review throws the records into a spin

Andrew Jack assesses the options for the future of Companies House, the repository of UK business information

Michael Heseltine, president of the Board of Trade, will walk into his office one day next spring, and find a consultant's report on his desk. If he agrees with its findings, Companies House - part of his department - could be in private hands by the end of 1993.

Some civil servants are already excited about the prospect. But its own staff and even private sector competitors view privatisation with more ambivalence.



Potential for privatisation: Search rooms in London have no guaranteed future

The response from Wall Street to the restructuring has been enthusiastic. Du Pont's share price on the Big Board has risen by more than 15 per cent since the start of the year, outperforming the S&P 500 index. The company's earnings per share have risen by 15 per cent.

Mr John Garcia, a corporate executive at Wall Street, says: "Mr Woodard is doing a terrific job. He has been a real asset to the company. He has been a real asset to the company. He has been a real asset to the company."

Senior staff have wasted no time in putting these new powers to good use, and contracting out is already well in hand. The company's security, catering, and building maintenance are all in private hands.

Even a debt collection agency was hired in June to help collect fines from companies late in filing their accounts.

Insecurity over its future helped trigger a one-day strike last month. The action also reflected the prospect of up to 80 redundancies as a result of budget cuts in the face of low demand for its services.

The National Union of Civil and Public Servants (NUCPS) and the Civil and Public Services Association are concerned about their members' jobs. In the past three years, the number of full-time staff has fallen by more than 100 to just over 1,000.

But Mr Kieron Hill, NUCPS regional officer for Wales, also raises a fundamental point which could concern customers: what would happen to the

Selling the entire agency to a private operator seems unlikely, although there are precedents

quality of information if Companies House was fragmented as part of the process of privatisation? Demand for the search rooms in London, for example, has declined over the past few years, and Mr Durham admits there can be no guarantee of their survival in the future.

Selling the entire agency to a private operator seems unlikely, although there are precedents. In France, a company called OR T&Smatique has monopoly control over data input and distribution of all official information on all the country's businesses, on behalf of the state company registration office.

But full privatisation would almost certainly require new legislation. There would have to be safeguards to ensure that companies continued to comply with requirements to register

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LETTERS TO THE EDITOR

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Making good news of a dividend cut

From Professor Adam Brandenburger and Dr Ben Polak
Sir, Your report ("Why dividend cuts are a last resort", August 12) correctly observes that managers usually have better information than investors, that dividend cuts signal bad news to the market, and that companies try to smooth dividends, avoiding "cuts at (almost) all costs". But the implication that this situation is satisfactory is unwarranted.

Guard small investors' access to new issues

From Ms Emma Johnson
Sir, Your report ("Stock Exchange to relax rules on flotations", August 10) raises a number of worrying points for the private investor.

Training and obligation do not mix

From Mr Peter Ashby
Sir, Your Leader on unemployment (August 14) is right in urging the government to "think long-term". But you are wrong in suggesting that entitlement to benefit should be conditional on unemployed adults participating in training schemes open to them.

It seems that, in current poor market conditions, the private investor is taking the blame for a lack of market demand. When times change, will this be used to cut the private investor off further from the new issue market?

The Stock Exchange response appears to be a short-term and pragmatic solution to a temporary problem. We hope that this is what it remains. On behalf of private investors, we urge the Exchange to reaffirm its long-term commitment to the offer for sale as the preferred method of marketing new issues.

On a proud Scots note

From Mr Alwyn James
Sir, The final burning of banknotes at The Royal Bank of Scotland was a cheerful acknowledgement of a colourful tradition.

banknotes, two-sided printing of banknotes and mobile banks - while we wait to see which bank will join us in cross-border European payments, photos on plastic cards and, come December, commemorative banknotes.

Twin tickets

From Mr Solomon Miller
Sir, Jurek Martin ("Fumbling Bush", August 1/2) says US law prohibits a presidential candidate from choosing a running mate resident in the same state as himself. This is not so.

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OBSERVER

Tragedy of the opera

When it comes to international soap operas it is hard to beat the goings on at the world's leading opera houses. Whilst everyone is waiting for the final act in Covent Garden's Jeremy Isaacs drama, opera-lovers should not miss an interesting diversion in Paris.

The hero, or villain, depending on one's taste, is Pierre Bergé, alias Pierre la Poudre, president of L'Opéra de Paris. He's having a horrible summer. First, a set collapsed killing a member of the chorus and injuring 30 others. Then Philippe Bélaïval, his director general, and three of his supporting cast, walked out after firing a highly critical broadside at Bergé's management style.

extravagant self-publicists in the Commons, finally added her voice to the chorus of advice to the government on how best to solve Britain's economic problems.

Mrs Gorman's solution? Fire a Treasury civil servant each time a business goes bankrupt. "The sackings should start at the top," she advises, "at permanent secretary level."

Fresh voice

Australia has scored another first over Britain. It has put a woman on the board of its central bank. Janet Holmes à Court, widow of the late tycoon Robert, has been made a member of the Reserve Bank of Australia board along with Lew Solomon, chairman of Coles Myer.



"I am the ghost of property values past"

non-establishment figures to its Court. How about Lord Hanson to replace Sir Adrian Cadbury?

Hand-pik'd

When it comes to international institutions, the European Community is probably more important to the South Africans than either the Commonwealth or the United Nations. This helps explain why Neil van Heerden, head of South Africa's diplomatic service, will soon be taking up his post as the country's next ambassador to the community.

constitutional talks.

Differences with long-serving foreign minister, Pik Botha, are rumoured to be one of the reasons behind his move to Brussels. However, this need not affect his future; there will be a "place for him in the new South Africa," says the ANC, which is probably more than can be said for his erstwhile boss.

Flushed out

One piece of market research which deserves to have the plug pulled on it is the first world loo review from Scott, toilet roll makers to the Queen and her mother. Having talked to 100 users in the UK and on the continent, it proclaims that the UK comes fourth in terms of the world's worst toilets after France, Thailand and Greece.

Painting tale

A small gunslinger bursts into a saloon in Dead Man's Gulch and draws his gun. "I wanna know who painted the tail of my horse yella!" Silence. He draws his other gun, shoots above the head of the cowering crowd, and repeats the question even more menacingly.



Now the premiere of Arthur Honegger's *Joanne au Bûcher*, has had to be postponed because 30 of the chorus have still not recovered from the *Seville* tragedy. As if he did not have enough problems, Bergé, who doubles up as president of the Yves Saint-Laurent fashion house, is also under attack for spending too much money trying to launch the career of his young friend, Robert Merlo, as a fashion designer.

Self-destruction

Treasury officials were quaking in their pinstripes last night after Teresa Gorman, Tory MP for Billericay and one of the most

INTERNATIONAL COMPANIES AND FINANCE

Impala Platinum cuts dividend on fall in income

IMPALA Platinum does not expect to improve on its 1991-92 annual results in the current financial year and has deferred its UG3 ore body expansion programme for a year, Reuter reports from Johannesburg.

"We are husbanding our resources," said Mr Michael McMahon the managing director of the world's second biggest platinum producer, after reporting a 16.5 per cent fall in attributable income to R260.3m (\$94.3m) in the year ended June 30, 1992, from R311.8m.

A 33 per cent cut in the dividend for the full year to 170 cents reflected the lower profit in the past year and expected depressed conditions in the immediate future, he said.

Mr McMahon said a remarkable turnaround in second-half performance, contrary to the company's forecast at the half-way stage, was the result of reduced operating costs and its programme to control costs and resolve the technical problems at its refinery.

The company deferred its expansion at the UG3 ore body because of weakness in world prices for platinum group metals and a fall in demand. It also had notice from two of its leading customers that they needed

less platinum and rhodium in the immediate future.

The company expects world consumption of platinum and rhodium to slightly exceed production in 1992 for the second successive year. But the market would remain vulnerable to overhanging stocks of platinum and rhodium in the short term, and there was good reason for caution on the direction of the prices of platinum group metals until at least mid-1993, Mr McMahon said.

He said supply and demand fundamentals would increasingly support stronger metal prices in the longer term. The total world supply of platinum, excluding stock, was 4,430 ounces in 1992, compared with 4,110 in 1991. Total expected demand was 4,520 ounces in 1992, up from a previous 4,210.

Mr McMahon said autocatalyst demand was expected to remain fairly impervious to continuing recession in the US. The recently mandated "in-use" testing of autocatalysts had resulted in a number of major recalls.

This could well result in increased minimum loadings for platinum and rhodium to insure against further recalls by carmakers, he said.

Argos earnings ease on cost of chain start-up

By Maggie Urry in London

INTERIM profits of Argos, the UK catalogue retailer, fell 11.3 per cent to £9.5m (\$18.2m) pre-tax, but the group said profits would have risen but for the costs of an experimental chain of furniture shops.

Mr David Donne, chairman, said sales since the second half, starting in mid-June, had shown "a slight improvement and are marginally positive on a comparable basis". He said this may mean the low point in consumer spending had been reached.

Mr Mike Smith, chief executive, said it was too early to

forecast Christmas trading, when the group makes most of its profits. The interim dividend is increased by 4.8 per cent to 2.2p and Argos shares rose 15p to 219p.

Argos, which was shored up by BAT Industries in 1990, said the Chesterman chain of four furniture shops lost £2.25m in the first half in pre-opening costs and trading losses. Without that both trading and pre-tax profits would have risen. Research suggested low awareness of the stores among furniture buyers and an advertising change was planned.

Lex, Page 14

Spanish groups ponder the KIO's change of policy

Peter Bruce looks at how the Kuwaiti investment institution has shocked Madrid's financial world

Bankers in Madrid were puzzled two weeks ago when they were asked by Prima Inmobiliaria, a young property development company 33 per cent owned by the Kuwaiti Investment Office (KIO), to attend a meeting of creditors.

Representatives of some 60 banks assembled to hear Prima's chairman ask them to agree on a two-month moratorium on repayment of capital. In return, the KIO would lend \$35m to Prima to enable it to continue paying interest. The curious thing about the meeting was that hardly any debt was due to mature in August and September and that which did only affected a handful of the banks present. Why call the meeting?

The most probable reason was that the once powerful and discreet KIO, under new management since May, wants it that way. KIO's new president, Mr Ali Rashid Al-Bader, controls assets worth close to \$40bn around the world but nothing with quite the public profile as the industrial and property empire his predecessors have built up and managed in Spain since 1984.

Prima has consolidated debt

of close to \$700m which the KIO has evidently decided not to continue funding until it disposes of a number of assets. This must be heartbreaking for a company caught in a property recession with most of its prime assets still under development.

At least it is still alive. A few weeks earlier, the KIO had refused to continue funding losses at Ercros, Spain's biggest chemicals company, 38 per cent owned by the Grupo Torras, the KIO holding company in Spain. Most of Ercros is now in receivership.

Torras's other two large affiliates, the Ebro foods group and the Torraspapel paper operation, are likely to be affected by the KIO's efforts to trim debt and creditor banks are waiting to be called to new meetings.

The events have been a shock. The new KIO management has decided to implement, almost overnight and quite without warning, a radical change of investment policy in Spain.

What was once a long-term commitment to build up the Torras group is being rapidly reduced to little more than a short-term portfolio play, with

more than 20,000 Spanish jobs at risk.

Torras is one of the biggest privately owned industrial groups in Spain. It was built up by a flamboyant partnership of Mr Javier de la Rosa, a Catalan financier, and Mr Fouad Jaffar, the KIO's former general manager. As the Spanish economy has foundered, though, so has the group. Mr De la Rosa left on May 26.

The last two months have seen a worsening of the prospects of Torras's assets and share prices. Partly, this is because new KIO representatives in Spain, professing their "shock" and "surprise" to Spanish newspapers in unattractive briefings, have been openly critical of Torras's businesses and have begun a legal investigation of the actions of the old management.

However, the surprise and the investigation may be more theatrical than real. The Torras companies were in trouble but documents show that this was well known, certainly to the Kuwait Investment Authority (the KIA, which theoretically controls the KIO), by late last year.

The previous management at the KIO and Torras fought for,

and won, agreement in January from the KIA for a \$1bn transfer of funds to keep the Spanish group alive. Almost \$700m had been channelled into Torras from the KIO between February 4 and June 2, when the new KIO team took over the Torras board. The transfers were interrupted at the behest, it is understood, of the finance ministry.

The KIA agreed to that funding (treating it not as fresh capital but simply replacement funds) after being presented, in December 1991, with a pessimistic report on Torras by KPMG Peat Marwick, the KIO's auditors.

That report flatly states that Torras needed a cash injection of \$1bn and says that "overall, Grupo Torras is unlikely in the short term to be able to give the KIO a return on its investment". It also warns that "a forced sale in the current European recessionary climate could result in a significant loss of the investment made by the KIO to date". The new KIO management nevertheless, appears to have decided to make disposals at both Ercros and Prima.

The Peat Marwick report contradicts the impression

being sown by the new KIO team that Torras's Spanish management was wayward. "The investments themselves are in large autonomous companies which appear to be managed appropriately," it says, and chides the KIO for not giving the Spaniards enough support.

"Five Kuwaiti representatives are on the board of Grupo Torras. The complete board has not met for over a year and is not directing strategy. The Spanish management of Grupo Torras... are currently disillusioned since they have not been given guidance on the policies of Kuwait."

Peat Marwick suggested the KIO should refinance Torras's bank loans to reflect their equity positions. The KIO now appears to be doing this. Torras owns 91 per cent of Torraspapel, 33 per cent of Prima, 39 per cent of Ercros and 40 per cent of Ebro. Peat Marwick, in December, calculated Torras's debt at \$650m to banks and a further \$501m in outstanding bonds. In November and December this year Torras has to repay loans of \$200m each to Bank of America and Credit Suisse.

At the same time as insisting

it will only be responsible for debt in proportion to its equity stakes, the KIO has reworked the 1991 Torras accounts, substituting market for book values to show a 1991 portfolio loss of about \$300m and not a small profit as originally reported. This casts Torras in an even worse light, suggesting it may one day be abandoned.

The fact that most of the debt of Torras and its affiliates is secured against shares in the affiliates has also sharpened interest in the group's immediate future. The La Caixa savings bank and Sumitomo Bank have loans to Torras worth \$37m secured against Ercros stock and now that the security is in receivership the loans may have to be repaid quickly. Also Torras guaranteed loans worth nearly \$100m to Ercros from Banco Santander, Bankinter and Banco Bilbao Vizcaya, which could increase financial pressure on the Spanish holding company.

Peat Marwick last year accurately predicted 1991 losses of \$180m at Ercros and warned then that it was "a major management problem". So bad, in fact, that it valued Ercros at zero in arriving at a valuation of \$2.9bn for the Torras assets.

Repsol registers static profits

By Peter Bruce in Madrid

REPSOL, the Spanish state-controlled energy conglomerate, yesterday reported practically static profits for the first half of 1992, an effort it considered "extremely positive" considering the dire straits of some of its larger rivals in the oil industry.

Net profits for the first six months, Repsol said, were

Pta40.6bn (\$4.3bn). The company said it had been able to hold profits steady in spite of falls of 50 per cent in margins at its oil refining and petrochemicals operations.

This had been helped by a sharp increase in operating profits in Repsol's gas distribution businesses, from Pta7.3bn in the first six months of last year to Pta9.3bn; a 102 per cent increase in operating profits in

exploration and production to Pta10.2bn; and slow cost growth helped by the loss of some 1,000 jobs in the first half.

This should encourage Repsol to continue with a cautious policy of opening itself up to wider share ownership. More than 30 per cent of the group is owned outside of the state and Repsol recently completed a very successful convertible bond offering.

Philips slashes CD-I list prices in US

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, yesterday slashed the US list price of its latest compact disc interactive (CD-I), to \$599 from \$999, less than a year after launching the

first CD-I player in the US.

The company said the move was part of plans to double the number of US retail outlets carrying CD-I players to 2,000 by Christmas and to start a national advertising campaign.

Philips declined to say whether it would reduce prices in the UK, where the product

was launched in the spring, or in continental Europe, where the players will become available in September.

The company, whose results in the 1992 first half were hit by price-cutting in its consumer electronics unit, said US sales of CD-I were developing "according to expectations".

Kinnevik and Korsnas to merge

By Robert Taylor in Stockholm

KINNEVIK, the Swedish telecommunications and media group, intends to merge with Korsnas, the fourth largest pulp and paper company in Sweden to create a new diversified industrial enterprise.

Kinnevik owns 61.5 per cent of Korsnas's voting shares and 44.5 per cent of its equity. An extraordinary shareholders' meeting will be held on September 7 to approve the merger.

Mr Jan Stenbeck, Kinnevik's chief executive, said the high market interest rates and heavy tax burdens facing Korsnas had led to the decision to merge.

French groups turn in lacklustre sales

By Alice Rawsthorn in Paris

THE sluggish state of the French economy was yesterday highlighted by the announcement of lacklustre interim sales figures from a number of big industrial groups including Poliet in construction and Roussel-Uclaf in chemicals.

Poliet mustered a negligible increase in turnover to FF9.92bn (\$1.98bn) for the first half of 1992, compared with FF9.87bn during the same period of 1991. Last year's figures were restated to allow for the sale earlier this year of Ciments Français, the cement business, to Italcementi of Italy.

The announcement of static sales from Poliet followed a series of similar disclosures last week from other French construction groups, including Bouygues and Fougere, all of which have been affected by the slowdown in the economy and the problems of large European building projects, notably Eurotunnel.

Roussel-Uclaf, a in the chemicals group, reported a modest 3.2 per cent increase in sales to FF7.3bn in the first half. This means that it just managed to keep sales ahead of inflation, which is now running at an annual rate of 2.9 per cent in France.

Chargeurs, one of France's largest textile groups, saw sales rise more slowly than inflation at 2.65 per cent to FF5.42bn in the interim period. Textile turnover rose 8.6 per cent to FF4.15bn.

Treuhandanstalt

has sold

Minol Mineralölhandel AG

and the refining activities of

Leuna-Werke AG

and

Hydrierwerke Zeitz GmbH

to a consortium of

Société Nationale Elf Aquitaine

and

Thyssen Handelsunion AG

We acted as the financial adviser to Treuhandanstalt in this transaction.

Goldman Sachs International Limited



July 1992

Wells Fargo & Company

US\$200,000,000
Floating rate subordinated
capital notes due 1998

In accordance with the provisions of the notes, notice is hereby given that for the interest period 18 August, 1992 to 18 November, 1992 the Notes will carry an interest rate of 3.5625% per annum. Interest payable on the relevant interest payment date 18 November, 1992 will amount to US\$91.04 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

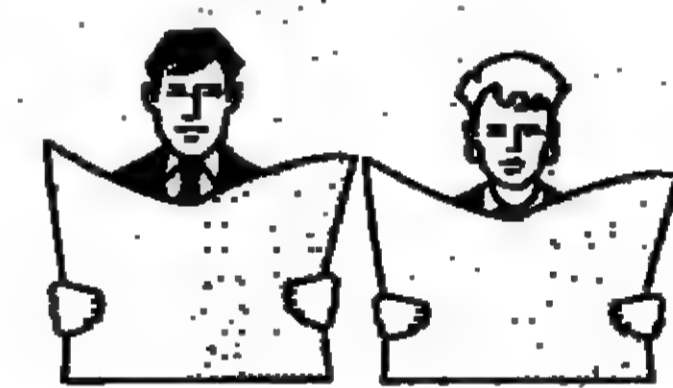
YORKSHIRE BUILDING SOCIETY

£165,000,000
Floating Rate Notes
Due 1994

(Comprising £100,000,000 Floating Rate Notes due 1994 issued on 10th February 1991 and a further £65,000,000 Floating Rate Notes due 1994 issued on 10th June 1991 consolidated and forming a single series therewith).

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from (and including) 14th August 1992 to (but excluding) 14th November 1992 the Notes will carry a rate of interest of 10.35 per cent per annum. The relevant interest payment date will be 14th November 1992 and the coupon amount per £50,000 Note will be £1,320.10 payable against surrender of Coupon No. 15.

Ramblers Bank Limited
Agent Bank



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Shawmut Corporation

U.S.\$50,000,000
Floating Rate Subordinated Notes
Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant interest payment date 18 November 1992 will amount to US\$10,000 nominal of the Notes will be US\$127.78.

August 18, 1992 London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

OPORTO GROWTH FUND LIMITED

NOTICE IS HEREBY GIVEN, that an Extraordinary General Meeting of the Company will be held at Chase House, Grenville Street, St. Helier, Jersey, CI on the 11th September 1992 at 10.00 a.m. for the purpose of adopting the following Special Resolution as an addition to the Memorandum of Association as required under the Companies (Jersey) Law 1991:-

"The Company is a Public Company."

BY ORDER OF THE BOARD OF THE
OPORTO GROWTH FUND LTD.
CHASE BANK & TRUST COMPANY
(CI) LIMITED
SECRETARY

Chase House
Grenville Street
St Helier
Jersey

Oned this 6th day of August, 1992
A member entitled to attend and vote may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a member of the company



Notice to the Holders of
EUROPEAN INVESTMENT BANK
Italian Lira 250 Billion
Floating Rate Notes
Due 2000

Coupon N°5 due from August 6, 1992 to February 8, 1993 will be payable starting February 8, 1993 at the rate of 15.875%.

ITL 338,478,- per ITL 5,000,000 Nominal
ITL 3,384,775,- per ITL 50,000,000 Nominal

SANPAOLO-LA BIANCA BANCA S.A.
Lombardy
Agent Bank

J.P. Morgan & Co.
Incorporated
US\$200,000,000
Subordinated Floating rate
notes due August 2002

In accordance with the provisions of the notes, notice is hereby given that for the interest period 18 August, 1992 to 18 November, 1992 the Notes will carry an interest rate of 5% per annum. Interest payable on the relevant interest payment date 18 November, 1992 will amount to US\$63.69 per US\$5,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BANK OF GREECE

US \$250,000,000
Floating Rate Notes
due 1997

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 19th August, 1992 to 19th February, 1993 the following information is relevant:

1. Rate of Interest: 5.25% per annum
2. Interest Amount payable on Interest Payment Date: US\$ 268.33 per US\$ 10,000.00 nominal or US\$ 6,708.33 per US\$ 250,000.00 nominal
3. Interest Payment Date: 19th February, 1993

Agent Bank:
Bank of America International Limited

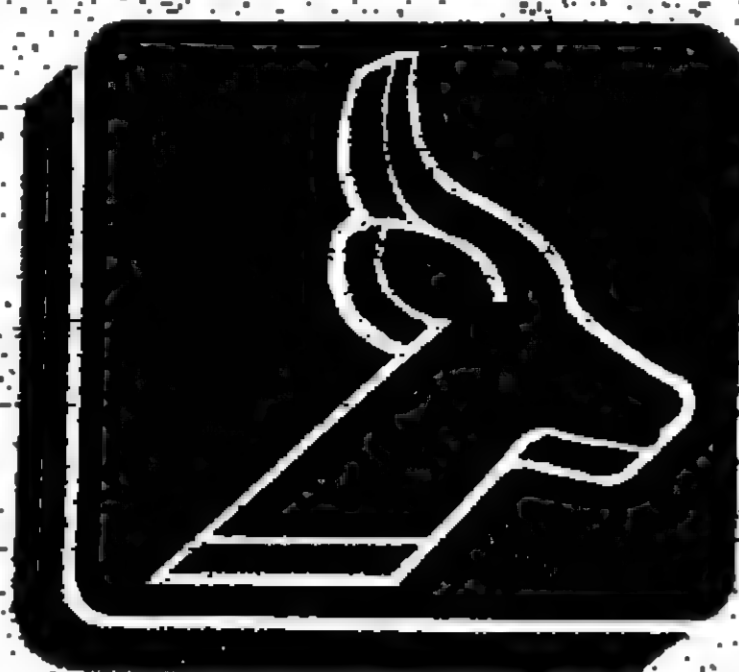
DENMARK

The FT proposes to publish this survey on October 1 1992. 54% of Chief Executives in Europe's largest companies read the FT. If you want to reach this important audience, along with decision makers worldwide call:

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Data source: Chief Executives in Europe 1991

FT SURVEYS



Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 57/01975/06)

Chairman's statement

The financial year ended 30 June 1992 was a difficult one for the Impala Group. The market prices of the platinum group metals and the principal base metals were significantly lower than in the previous year, reflecting the continuing weakness, if not further decline, of the major western economies, as well as the disruption caused by high levels of metal deliveries by the Commonwealth of Independent States. In addition, during the first half of the year, the Group experienced serious industrial unrest and production problems on the mines and technical difficulties in the platinum metal refinery.

In these circumstances, it is a testimony to the underlying strength of the Group and to the effective response of management that the decline in attributable income was held to 16.5%. Furthermore, despite the major capital expenditure programme, net borrowings at year end have been contained to R89 million. Although this was a deterioration compared to the previous year, it actually represents a small improvement on the mid-year position, and is in line with previous years' balances.

Nevertheless, in the face of the persistent weakness in the market prices of the major metals, taking cognisance of notices of reduced platinum and rhodium requirements for the immediate future by two of our major customers, and conscious of the need for financial prudence while the outlook for western economies remains so bleak, the Board has decided to defer the expansion programme at its Impala operations for one full year. In consequence, the capital expenditure for Impala in the 1993 financial year will not exceed R250 million (compared to R410 million in 1992), and the targeted production level of 1.29 million ounces will not be reached before 1997.

The reduced total dividend of 170 cents recognises both the lower profit of the past year and the depressed conditions expected in the immediate future. In the absence of higher metal prices, it will be difficult to improve on the 1992 results. Fortunately, the Group is well placed to weather the present circumstances and to profit when the major world economies start to recover.

Mr S P Ellis, the immediate past chairman of Impala and Mr R P Plasket, the founding father of Impala's metallurgy, left the Board during the year. Their valued contribution to the development and guidance of the group over the years is greatly appreciated. I am pleased to welcome Mr S V Kearney, the Consulting Engineer, Operations and Mr T C Netscher, Consulting Engineer, Refineries, to the Board.

S P Ellis
S P Ellis
Chairman

10 August 1992

Excerpts from the managing director's review

1. Results for the 1992 financial year

Revenue from the sales of platinum and by-products produced by Impala Platinum Limited ("Impala"), at R226 million, was marginally down on last year's performance, but considerably short of the original projections for the year. This shortfall on expectations can be attributed almost equally to price weakness and to production underachievement. A concerted effort to reduce the levels of refined stock necessary to manage the worldwide distribution of our products partly offset the shortfalls, contributing significantly to the price revenue figures, but directly impacting on the cost of sales, which increased by 21% to R1,672 million.

As a result, income from the sale and supply of metals fell by 33%, or R291.4 million, to R591.0 million. In line with the accounting policy for capital expenditure introduced last year, R118.6 million was expensed to maintain current capacity (R97.2 million last year), resulting in an operating profit from platinum mining activities of R474.5 million (40% down).

Other income, including net interest received, amounted to R36.5 million (R58.1 million in 1991). Group profit before tax of R511.0 million was therefore 39% lower than the 1991 figure of R843.3 million.

The lower income reduced the provision for lease, royalties and taxation to R98.8 million, approximately one quarter of the amount provided last year. In accordance with the accounting policy on future capital expenditure, a provision of R179.1 million has been made in respect of the tax effect of expenditure on future capacity (R183.1 million in 1991). After allowing for outside shareholders' interests and almost unchanged income from our investment in the platinum interests of the Lonrho Group (R29.9 million), the Group's attributable profit fell by 16.5% to R260.3 million (from R311.8 million). A total of R294.0 million was spent on future expansion at Impala, of which R117.9 million was appropriated directly from the income statement, leaving a distributable profit of R129.2 million.

In the light of these circumstances, the Directors have decided to reduce the total dividend for the 1992 year to 170 cents per share, compared to 275 cents in 1991 and 250 cents in 1990. Accordingly, a final dividend of 115 cents per share has been declared, payable to members on 1 October 1992.

2. The second half recovery

At the interim stage, the final results were expected to be significantly worse than those presented above. The extent to which management was capable of meeting the challenge of improving the first half results can be seen in the comparison between first and second half income shown in the table below.

Comparative Results	First Half	Second Half	% Change	1992 Financial Year
Turnover (Rm)	1 080.3	1 183.5	+ 9.5	2 263.8
Cost of sales	820.2	852.6	+ 4.0	1 672.8
On-mine operations	643.8	606.0	- 5.9	1 249.8
Refining operations	116.9	116.6	- 0.3	233.5
Selling and other costs	40.0	40.1	+ 0.1	80.1
Change in stock	13.5	89.9	+ 565.9	103.4
Profit on metal sales	260.1	330.9	+ 27.2	591.0
Platinum sold (000 ozs)	443	496	+ 12.0	939
Platinum produced (000 ozs)	382	483	+ 26.4	865
Production cost/oz produced (R)	1 997	1 486	- 25.1	1 717

The improvement in the second half came about as a result of the successful reduction in operating stocks and from a co-ordinated programme to control costs and to resolve the technical problems that affected the refinery.

3. Review of operations

With the suspension of operations of Crocodile River Mine (CRM) and Messina, Impala's operational emphasis rests on the performance of Impala's Mines, Mineral Processes and Refineries. In particular, the problems reported in the interim statement at the half year in the areas of industrial unrest and operational performance demand special attention.

The labour unrest

In June last year, wage negotiations were conducted and successfully concluded with those unions at Impala permitted to function in terms of Bophuthatswana labour legislation. In the meantime, approximately 11 000 of our daily paid workers (25% of the total) rejected the recognised union structures and joined the National Union of Mineworkers (NUM), a South African union which was neither registered nor recognised in Bophuthatswana.

When the agreed wage increases were implemented on 1 July 1991, Impala's Rustenburg operations were hit by a series of strikes apparently designed to demonstrate that the increases were not acceptable to the daily paid workers and that the current union and negotiating structure was unrepresentative. As events unfolded over the ensuing weeks, radical and unruly elements in the striking workforce, some with wider political motives and some with more criminal motives, introduced elements of violence, murder, intimidation and arson into the arena.

Discipline and control were firmly re-established by December. A form of negotiating and representative structure emerged that, although it fell somewhat short of the aspirations of employees and the NUM, represented the most that could be achieved within the

ruled labour legislation. A weariness with the terror and violence associated with the more political objectives of the unrest gradually made the issues between workers and management more work related and a return to an almost normal working environment was evident over the second half of the year.

Approaches by the NUM towards legalising its position in Bophuthatswana hold out hope for progress towards resolving the underlying political problems. In the meantime, the production processes at the mines and the concentrator and smelter are almost back to normal. Most importantly, operational management has developed its capability to contain and manage industrial unrest so that the impact of such disputes on our people and our company can be minimised.

Pending final resolution of the issues surrounding NUM's recognition in Bophuthatswana, a series of independently monitored elections has resulted in a credible and acceptable Council of Worker Representatives emerging on our mines. This body successfully and peacefully negotiated the June 1992 wage settlement at an average increase of 13.5%. While this is high by the standards of the gold mining industry, our wage structure is in line with the platinum mining industry. The settlement included extension of the concept of living-out allowances to all workers so as to encourage home ownership as well as the introduction of maternity leave for the approximately 500 women employed in the daily paid ranks.

Mining and mineral processing

During the year Impala mined 2.4 million tons less than it had expected. Of this shortfall, about half was due to the industrial unrest while the rest was due to technical difficulties. The major technical problems were extensive potholing on the UG2 boxes at No 2A shaft on Wildebeestfontein North as well as lower than expected extraction rates at No 11 shaft on Bafokeng South. A comprehensive review of the mine planning process is now complete and a much higher level of confidence can be ascribed to the total mine production forecasts. This has resulted in a successful programme, put into place in January 1992, to ensure second half mining production targets were met.

Better mine planning as well as the more detailed understanding of the ore-reserve picture has also made possible a substantial reduction in the rate of expenditure at the No 14 shaft complex which is designed as an ore-reserve replacement project. This reduction was achieved without altering the planned build up in tonnage from that area. Expenditure in 1992 on this project was R58.6 million and for 1993 is expected to be R25.0 million.

Similarly, it has also been found possible to delay shaft sinking operations at the No 15 shaft. This delay will allow us to evaluate potentially more capital efficient and rapid methods of accessing the Deeps by means of shaft, conveyor and material declines.

The reduction of capital expenditures at No 14 and No 15 shafts will have a significant impact on our cash flow expectations over the next three years.

During the year two major projects were successfully completed at Mineral Processes. These were the No 5 furnace in February and the UG2 concentrator in April. Both were completed within budget and are performing to plan.

Further developments can be expected within the mining operations. At present only 30% of the working areas are fully "mechanised" to the extent they are equipped with two scraper winches. The balance is either partially mechanised or hand-lashed. In pursuit of more concentrated mining, higher face advance and lower dilution, your Board has committed the funds and resources to increase the percentage of fully mechanised stopes to 85% over the next 3 years. This is believed to be the maximum achievable in the known ground conditions.

Refineries

As was reported in the interim results, technical problems associated with the construction and commissioning of process improvements caused in-process stocks of platinum to increase by some 50 000 ounces during the first half year. During the second half of the year these problems were resolved and the metal recovered. However, for much of the year, while the new process circuits were being proven, it was necessary to run both old and new circuits in parallel. This significantly affected refining costs for the year. The old circuits are now being closed down.

The process improvements were installed to reduce in-process platinum stocks and to enhance rhodium recoveries. To reduce the operational load on the refinery while construction work was in progress and to avoid the complications of contamination of the new circuits, difficult residues and a proportion of the ongoing production are being left refined in Europe. The higher rhodium recoveries from this material have added significantly to the company's performance over the last 18 months.

The improvement in mine production from April was too late to report to refined output this year but should provide a positive start to the 1993 financial year.

4. Sales and revenues

Impala sells almost all its production on long-term contracts. As announced in the interim results, some 70 000 ounces of platinum were either sold or leased from the market to meet these long-term obligations. A further 50 000 ounces had to be sourced in January. A reduction in planned metal off-take early in this calendar year by two major customers, together with improved production, made further purchases unnecessary. Despite the reduction, which appears to be due to shifts in market share to other consumers, Impala has had little difficulty placing metal. By the end of June, imported output from the refinery allowed all remaining leases to be closed out.

Despite destocking, sales volumes for all the important products, with the exception of rhodium, were lower in the 1992 financial year. Moreover, prices of all the important metals declined during the year, although this was partly offset by the slightly weaker exchange rate.

5. Supply and demand

Two events have had a strong impact on world pgn markets. The first occurred approximately 18 months ago when large volumes of platinum were moved into Switzerland and Japan by the former USSR. This action and the gradual release of "collateral metal" in Switzerland dramatically softened the price of platinum.

Secondly, consumers of rhodium concluded mid-way through this year that a combination of technological advances in the area of rhodium refining in autocatalysts and greater and more reliable supplies of rhodium from southern Africa meant that earlier fears of a potential rhodium shortage were groundless. As a result, there appears to have been a considerable destocking of rhodium boards into the Japanese market in an attempt to reduce inventory costs. This resulted in weak rhodium prices.

The effects of the extended recession in the USA were offset to some extent by strong demand based on the increased autocatalyst loadings necessary to meet ever more stringent environmental standards. Japanese jewellery demand also proved to be extremely resilient. Primary supply and demand fundamentals (the relationship between metal produced and consumed, excluding stock movements) came slightly into deficit for the 1991 calendar year.

For the 1992 calendar year, we expect that the market will show a similar small shortfall. In the short term, the market will remain vulnerable to the overhanging stocks of platinum and rhodium. However, all indications are that the bulk of these stocks will move into strong hands over the next year, principally as the result of the higher working stocks required by the autocatalyst industry as part of the 1 January 1993 European Community deadline for compulsory fitting of autocatalysts.

Autocatalyst demand is expected to remain fairly impervious to the continuing American recession since the recently mandated "in-use" testing of autocatalysts has already resulted in a number of major recalls. This may very well result in an increase of minimum loadings for both platinum and rhodium so as to "insure" against further such recalls for the automobile companies.

Looking further ahead to the 1993 calendar year, we must be aware that the world economic recession may be protracted beyond our expectations and may yet spread to Japan. In this scenario, platinum and rhodium demand may grow more slowly than generally assumed.

In summary, while in the longer term we see the fundamentals for platinum and rhodium becoming increasingly supportive of stronger metal prices, we believe that good reason exists to take a relatively cautious attitude on the direction of pgn prices, at least for the next financial year.

6. Growth and funding

Two years ago, the Impala Group announced its intention to expand its production from approximately 1.1 million ounces per annum to 1.35 million by 1995. Since that decision platinum and rhodium prices have remained well below anticipated levels and may take some time to recover. In these circumstances, it has been deemed prudent to defer the expansionary capital programmes for one full year. This will primarily affect the UG2 plant expansion at Impala and much of the related underground mine development that would have been required to bring the additional UG2 stopes to production. The Board's decision will relieve Impala of the need to resort to equity or debt financing for its basic expansion programme.

7. Lonrho's platinum interests

I am aware of speculation that a greater equity stake for the Group in Western Platinum and Eastern Platinum is in the offing. Such speculation is unwarranted and the status quo of our 27% shareholding, with its pre-emptive rights, remains.

8. Human relations

A definitive programme to achieve 80% literacy among our employees by the year 2000 is underway. With this objective in mind, a project to provide 23 new classrooms, employ an additional 13 full-time and 15 part-time teachers, as well as to expand our current capacity of 700 students to 2300 students per annum, is in progress.

The company is participating in the development of a new township in the Wildebeestfontein area where the intention is to support the building and purchasing by employees of some 1500 houses in the next two years. Coupled with investigative and support work in the area of local "site and service" developments, the intention is to enable the majority of our employees to live with their families by the year 2000.

9. Safety

During the year, all four mines once again achieved a million fatality-free shifts. Wildebeestfontein North established a new industry record for underground fatality-free shifts of 4 153 730, while Mineral Processes became a triple millionaire, not having had a fatal accident since October 1987 until one occurred in March 1992. Nevertheless, the regrettable fact remains that 14 people died as a result of accidents at our mines and plants, an increase of 1 over last year.

A much larger upward trend in reportable accidents also emerged in the year, with the rate per 1000 workers per annum rising from 282 to 508. While some of this trend can be attributed to poor morale, tiredness and lack of concentration during the unrest periods, particular problem areas have been identified and corrective actions initiated.

Refineries retained their NOSA five star grading for the eighth consecutive year, completing the year without a fatal accident for the fifth successive year.

10. Prospects

While the short-term prospects for metal prices are subdued, in the medium to long-term, fundamentals continue to move in platinum's favour. The test for the company will be to manage the intervening period in a time of political uncertainty and inflationary pressures. Much has been learnt in the past year and the current management is well tested in its abilities to control the operations while real progress has been made in improving technical and financial performance.

Assuming orderly constitutional development and relatively trouble-free industrial relations, 1993 is nevertheless expected to be a difficult year for the Group as we wait for the expected price recoveries. Without a significant improvement in prices, the Directors do not anticipate better results for the coming year.

J M McMahon
J M McMahon
Managing Director

10 August 1992

Audited results for the year ended 30 June 1992

Consolidated Income Statement (Rm)

	1992	1991
Turnover	2 263.8	2 269.2
Cost of sales	1 672.8	1 386.8
On-mine operations	1 249.8	1 190.6
Refining operations	233.5	198.5
Selling and other costs	94.1	48.4
Decrease/(increase) in stock	103.4	(40.7)
Income from the supply of metals produced	591.0	882.4
Capital expenditure on current capacity	116.5	97.2
Income from platinum mining operations	474.5	785.2
Other expenditure	3.6	9.7
Net interest received	40.1	67.8
Income before taxation	511.0	843.3
Lease, royalties and tax	199.1	367.5
Effect of expenditure on future capacity	78.8	169.1
Income after taxation	233.1	286.7
Share of net income from associates	29.9	30.0
Outside shareholders' interest	(2.7)	(4.9)
Attributable income	260.3	311.8
Extraordinary item	0.0	130.2
Appropriation for expenditure on future productive capacity	117.9	97.1
Transfer to non-distributable reserves	13.2	10.5
Distributable income	129.2	74.0
Dividend declared	105.7	168.2
Retained income	23.5	(94.2)
Shares in issue (millions)	62.2	61.3
Earnings per share (cents)	418	509
Dividend per share (cents)	170	275

Consolidated Balance Sheet (Rm)

	1992	1991
Ordinary shareholders' interest	2 409.0	2 075.3
Outside shareholders' interest	84.6	82.6
Long-term liabilities	224.0	19.0
Deferred tax	27.5	35.9
Capital employed	2 745.1	2 212.8
Fixed assets	2 060.5	1 728.2
Investments	557.8	505.0
Net current assets/(liabilities)	106.8	(20.4)
Assets employed	2 745.1	2 212.8

For and on behalf of the board

S P Ellis
S P Ellis
Director

J M McMahon
J M McMahon
Director

Declaration of final dividend

Declaration of final dividend

A final dividend of 115 cents per share in respect of the year ended 30 June 1992 has been declared payable to members registered in the books of the company on 4 September 1992. The register of members will be closed from 7 to 18 September 1992, inclusive. The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom transfer office will be made net of non-resident shareholders' tax in United Kingdom currency at the rate of exchange ruling on 21 September 1992 or on the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 1 October 1992.

The full conditions of payment may be inspected at the offices of the transfer secretaries of the company.

By order of the board

Impala Consultancy & Management Services (Proprietary) Limited
Secretaries
per

H J Gaylard
H J Gaylard
Group secretary

Registered Office

3rd Floor Unicorn House
70 Marshall Street
Johannesburg 2001
(P.O. Box 61386
Marshalltown 2107)

14 August 1992

Transfer Secretaries

South Africa:
Central Registrars Limited
154 Maritz Street
Johannesburg 2001
(P.O. Box 4844
Johannesburg 2000)

United Kingdom:
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

NEW ISSUE

All of these securities having been sold, this announcement appears as a matter of record only.

August 18, 1992

15,000,000 Shares

Oryx Energy Company



Common Stock

These securities were offered internationally and in the United States.

International Offering
2,250,000 Shares

Credit Suisse First Boston Limited

Goldman Sachs International Limited

Lehman Brothers International

ABN AMRO Bank N.V.

County NatWest Securities Limited

Cragnotti & Partners
Capital Investment (UK) Ltd.
Deutsche Bank
Aktiengesellschaft
IBJ International plc

Credit Lyonnais Securities
DNB Fonds AS
Paribas Capital Markets Group

N M Rothschild & Sons Limited

United States Offering
12,750,000 Shares

The First Boston Corporation

Goldman, Sachs & Co.

Lehman Brothers

Bear, Stearns & Co. Inc.

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

A.G. Edwards & Sons, Inc.

Howard, Weil, Labouisse, Friedrichs

Kidder, Peabody & Co.

C.J. Lawrence Inc.

J.P. Morgan Securities Inc.

Morgan Stanley & Co.

Oppenheimer & Co., Inc.

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S.G. Warburg Securities

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Dean Witter Reynolds Inc.

William Blair & Company

Janney Montgomery Scott Inc.

McDonald & Company

Nesbitt Thomson Securities, Inc.

Petrie Parkman & Co., Inc.

The Principal/Eppler, Guerin & Turner, Inc.

RAS Securities Corp.

Rauscher Pierce Refsnes, Inc.

Southcoast Capital Corporation

ALCATEL
ALSTHOMAlcatel Alsthom
reports 6%
higher 1992
first half sales

Alcatel Alsthom, the Paris based telecommunications, power and transport equipment group reported consolidated net sales for the first six months of 1992 of FF 79.5 billion, up 6% for the same period in 1991. Approximately two thirds of this progression reflects external growth.

By sector, 1992 and 1991 first half sales broke down as follows:

(in millions of French Francs)	1992	1991
Communication systems	54,100 (11)	50,000
Energy and transportation (2)	13,852	12,905
Electrical engineering	7,776	7,543
Batteries	1,064	1,056
Services	3,240	3,105
Inter-group sales	(1,185)	(939)
TOTAL	79,477	74,770

(1) Of which, Network systems: 28.0%; Radio systems and devices: 10.0%; Business systems: 10.5%; Cable: 31.5%; Other: 10.0%
(2) Sales of GEC Alsthom total at 50.1

Orders for the first half of 1992 amounted to FF 81.4 billion, compared to FF 81.1 billion for the same period in 1991. Orders were FF 1.9 billion higher than sales during the same period and brought the order backlog up to FF 140.7 billion as of June 30, 1992 compared to FF 137.6 billion at December 31, 1991.

Prices for electricity generated for the purposes of the electricity generating and distribution companies in the United Kingdom, expressed in pence per kilowatt hour, excluding VAT, for the period ending 31.12.91

Period	1991	1992	1993
1/2 hour	18.00	20.25	21.00
1 hour	17.71	20.25	21.00
2 hours	17.71	20.25	21.00
3 hours	17.71	20.25	21.00
4 hours	17.71	20.25	21.00
5 hours	17.71	20.25	21.00
6 hours	17.71	20.25	21.00
7 hours	17.71	20.25	21.00
8 hours	17.71	20.25	21.00
9 hours	17.71	20.25	21.00
10 hours	17.71	20.25	21.00
11 hours	17.71	20.25	21.00
12 hours	17.71	20.25	21.00
13 hours	17.71	20.25	21.00
14 hours	17.71	20.25	21.00
15 hours	17.71	20.25	21.00
16 hours	17.71	20.25	21.00
17 hours	17.71	20.25	21.00
18 hours	17.71	20.25	21.00
19 hours	17.71	20.25	21.00
20 hours	17.71	20.25	21.00
21 hours	17.71	20.25	21.00
22 hours	17.71	20.25	21.00
23 hours	17.71	20.25	21.00
24 hours	17.71	20.25	21.00

INTERNATIONAL COMPANIES AND FINANCE

Daily News management
backs Conrad Black bid

By Karen Zagor in New York

THE STRUGGLE to find a new owner for the Daily News, the New York City tabloid, intensified yesterday as unions, creditors and management continued negotiations ahead of an afternoon bankruptcy court deadline.

In the absence of a consensus among the paper's nine unions, Daily News management voted to accept a bid by Mr Conrad Black, the Canadian publisher who owns The Daily Telegraph of London, as part of its reorganisation plan.

Union officials warned, however, that a deal with Mr Black was essentially meaningless without union backing. And management's agreement with Mr Black calls for acceptable agreements between Mr Black and each union.

Other terms of Mr Black's offer include \$5m for all of the Daily News business assets, including \$22m for administrative claims and creditors, and the construction of a \$200m colour printing plant in New York City. Mr Black would also advance up to \$3m in financing to forestall a cash crisis, provided he reaches agreements with at least six of the unions.

The bulk of the unions are believed to favour a competing bid from Mr Mortimer Zuckerman, owner of US News and World Report magazine.

There is also a so-called "stand-alone" plan under which Silver Screen, a group of film financiers, would share ownership with the unions. But the plan would require outside financing to build the new printing plant, which is believed to be critical to the paper's survival.

Bankruptcy court judge Tina Brozman has warned she might impose a reorganisation plan on the cash-strapped paper, including job lay-offs and wage cuts, if the parties fail to agree on a plan to obtain fresh cash.

In spite of the pressing deadline, the paper's nine unions were unable to reach a consensus last week.

The Daily News, which celebrated being rescued by Mr Robert Maxwell early last year, has been operating under protection of Chapter 11 of the US bankruptcy code since shortly after Mr Maxwell's death.

Ms Brozman, who has grown increasingly frustrated with the continued impasse at the Daily News, earlier chastised unions and management for "jeopardising my ability to keep this newspaper alive".

Chrysler
confident
of loan
extension

By Patrick Harverson in New York

CHRYSLER, the US car manufacturer, remained confident yesterday that negotiations on a crucial \$8.6bn multi-bank loan extension for its financial services subsidiary will be completed shortly, despite last-minute delays.

To rollover the credit facility, Chrysler Financial needs the consent of all 152 banks in the lending consortium, but two banks, one US and one German, are reported to have demanded better terms on the loan before approving its renewal.

A spokesman for Chrysler confirmed that although the two banks delaying the deal accounted for only \$60m of the \$8.6bn financing, if unanimous approval of the loan's renewal was not forthcoming the entire deal would have to be scrapped.

That would require Chrysler renegotiating the terms of the loan with every one of the 152 banks in the consortium.

The spokesman, however, said the company expected to conclude the deal "relatively shortly".

The loan extension is crucial to the Chrysler subsidiary, which provides the financing for many of the carmaker's customers and dealers. Because Chrysler Financial has a junk credit rating, the company has few alternative sources of funding.

Analysts, however, believe the rollover of the loan will be completed successfully.

Mr Scott Merlis of Morgan Stanley pointed out that Chrysler's ability to negotiate an extension on the facility long before its expiration date of April 1993 represented a vote of confidence in the company's future by banks. He said: "It's a major achievement for Chrysler to get so many banks to agree to rollover these loans nine months in advance of expiration."

Banks agree aid
for Nippon
Housing Loan

By Emiko Terazono in Tokyo

NIPPON Housing Loan, Japan's home loan company, yesterday announced its nine leading creditor banks had agreed to provide financial assistance for its restructuring programme.

Nippon Housing Loan, facing mounting property-related debts, had been in dispute with its creditors who were opposed to the company's requests to reduce the interest rate on its loans.

The nine banks which fund Nippon Housing have now agreed to lower the interest rate to 3.25 per cent, the same as the official discount rate, and maintain their outstanding lending levels.

The banks, including Sakura Bank and Sanwa Bank, have extended ¥600bn (\$4.75bn) to Nippon Housing Loan, which holds an estimated ¥2,500bn in total debt.

Reports of the deal were greeted on the Tokyo stock market with relief, as Nippon Housing Loan's shares, which had plunged on concerns over the financial stability of the company, rose ¥22 to ¥140.

However, the banks are concerned over the reluctance of Nippon Housing Loan's remaining creditors to co-operate with the company's restructuring. Financial difficulties of agricultural co-operatives led by Norinchukin Bank have around 40 per cent of loans to Nippon Housing Loan.

Seven Japanese housing loan companies have sought financial assistance from their leading banks.

The companies were set up during the 1960s and 1970s by leading financial institutions to provide property loans for individuals. However, the bulk of the loans and investments, made to riskier resort and property developments in the 1980s, have since turned sour.

The problems at Japanese non-bank financial institutions, including the housing loan companies, are expected to put pressure on Japanese banks which have been forced to accept reduced or even no interest payments.

US retailers post mixed results

By Nikki Tait in New York

KMART, the large discount retailer, yesterday reported flat profits for the second quarter of 1992, and a small dip in earnings per share.

But Toys "R" Us, the New Jersey-based toy retailer, unveiled a 40 per cent improvement in after-tax profits in the same three months.

The contrasting results come towards the end of the retail sector's reporting season, and underline the extent to which fortunes have been mixed during this period.

Kmart said that after-tax profits in the three months to July 26 stood at \$169m, compared with \$163m a year earlier. Total operating income was 3 per cent higher at \$342m, but earnings per share slipped

from 40 to 37 cents - reflecting the increased share capital following a PERC offering in August 1991.

Kmart said its general merchandise business was affected by consumer caution and the cool weather - which contrasted with the warm spell a year ago, and depressed clothing and garden sales.

The general merchandise side saw a 2 per cent advance in comparable store sales, and total turnover was \$6.46bn (\$6.21bn). Operating profits advanced by 5.1 per cent to \$303m.

On the specialty stores side, five of the six chains fared well. However, PACE warehouse clubs suffered from the strains of a rapid expansion plan and lower-than-expected sales growth. Overall, the spe-

cialty retail business saw sales of \$2.68bn (\$2.5bn), and operating profits of \$41m (\$40m).

Kmart now shows an after-tax profit of \$384m in the first six months, against \$370m, on sales of \$17.4bn (\$16bn).

Toys "R" Us, by contrast, reported after-tax profits of \$32.7m, up from \$28.4m in the second quarter to August 1.

Sales increased to \$1.25bn from \$1.06bn a year ago. The company said that US toy stores saw a comparable store sales increase of 6.3 per cent in the quarter, with strong advances in basic categories.

The European stores also moved ahead sharply.

The results bring Toys "R" Us sales for the first half to \$2.42bn, against \$2.08bn a year ago, and after-tax profits to \$61m, compared with \$45.8m.

Glitter fades from Tiffany earnings

By Nikki Tait

THE SPARKLE has vanished from the latest results at Tiffany, the New York-based jewellery group.

After-tax profits in the three months to end-July were almost halved at \$3.89m, compared with \$7.23m in the same period a year earlier.

Sales were \$120.8m, barely increased on the \$119.4m in the

same period of 1991.

Tiffany said that US retail sales were static at around \$53.6m. Local people kept buying, said the retailer, but there was a decline in sales to tourists visiting the US.

International retail sales also remained flat, with increases in European and Far Eastern stores being offset by a short fall of wholesale sales in Japan.

On the direct marketing front - that is, business-to-business sales and through the catalogue - there was an 8 per cent sales gain.

Profits for the first half now stand at \$6.99m, compared with \$11.6m a year earlier (before a one-off accounting change item).

Six month sales were ahead at \$228.1m, compared with \$216.5m.

Buoyant Wesfarmers advances 77%

By Bruce Jacques in Sydney

WESFARMERS, the diversified West Australian agricultural group, lifted earnings and dividends strongly in the year to June 30 on the back of acquisitions, higher sales and falling costs.

The company posted a 77 per cent net profit rise from A\$35.8m (US\$25.8m) to A\$63.1m in the period. Operating revenues rose by 35 per cent from

A\$853m to A\$1.8bn for the same period.

The annual dividend has been boosted from 14.5 cents to 26 cents a share, lifting the payout from A\$26.7m to A\$48.5m.

The company benefited from the consolidation of Bunnings, the timber group. It increased its stake in Bunnings from 24.5 per cent to 45 per cent and included an A\$11.3m pre-tax earnings contribution from the

timber company in its latest results.

The coal business was the biggest pre-tax earnings contributor, with A\$62.6m, followed by fertilisers and chemicals with A\$48.6m.

The company's interest bill eased from A\$35.8m to A\$32.6m.

The result also benefited from a big reduction in abnormal losses which dropped from A\$34.1m to A\$722,000.

St Lawrence Cement suspends dividend

By Robert Gibbins in Montreal

ST LAWRENCE CEMENT, the North American cement manufacturing and construction arm of the Swiss Holderbank group, is suspending quarterly common share dividends until further notice.

The company attributed the move to weak commercial and residential construction markets in eastern Canada and the north-eastern US.

In July it paid a cash dividend of 5 cents on the A shares and a stock dividend equal to 14 cents.

St Lawrence is eastern Canada's largest cement producer and is also a large producer and supplier in the north-eastern US.

In the first half it lost C\$19.7m (US\$16.5m) or 48 cents a share, against a deficit of C\$10.9m or 27 cents a year earlier. Sales dropped 9 per cent to C\$179m.

Hydro-Quebec, a leading borrower in international financial markets, reported net profit of C\$432m for the first half, up 10 per cent from a year earlier. Revenues for the period were C\$3.5bn, up 12.5 per cent.

Electricity sales by volume rose 7.6 per cent, partly due to a cold winter. In addition exports to the US were higher and domestic rates rose in May.

Operating expenses rose 4.6 per cent. Taxes paid to the shareholder, the Quebec government, were up 52 per cent to C\$288m partly because of higher capital taxes.

The 1992 investment programme totalled C\$4.6bn, and C\$1.7bn was spent in the first half. The year's borrowing programme totalled C\$3.7bn, including C\$2.5bn raised in the first half.

WALES

The FT proposes to publish this survey on September 16 1992.

from its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries world wide. It will also be of particular interest to the 130,000 directors and managers in the UK, who read the weekday FT. If you wish to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Wales, call

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FT SURVEYS

£200,000,000
MFC Finance No.1 PLC

Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:

Interest Date	Rate	Period	Interest Date	Rate	Period
1st August 1992	10.50%	3 months	1st August 1992	10.50%	3 months
1st September 1992	10.50%	3 months	1st September 1992	10.50%	3 months
1st October 1992	10.50%	3 months	1st October 1992	10.50%	3 months
1st November 1992	10.50%	3 months	1st November 1992	10.50%	3 months
1st December 1992	10.50%	3 months	1st December 1992	10.50%	3 months
1st January 1993	10.50%	3 months	1st January 1993	10.50%	3 months
1st February 1993	10.50%	3 months	1st February 1993	10.50%	3 months
1st March 1993	10.50%	3 months	1st March 1993	10.50%	3 months
1st April 1993	10.50%	3 months	1st April 1993	10.50%	3 months
1st May 1993	10.50%	3 months	1st May 1993	10.50%	3 months
1st June 1993	10.50%	3 months	1st June 1993	10.50%	3 months
1st July 1993	10.50%	3 months	1st July 1993	10.50%	3 months
1st August 1993	10.50%	3 months	1st August 1993	10.50%	3 months

By Citibank, N.A. (Issuer Services), Agent Bank
August 18, 1992

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CITICORP

Notice is hereby given that the interest payable on the relevant Interest Payment Date, August 24, 1992, for the period May 14, 1992 to August 14, 1992 against Coupon No. 32, in respect of U.S.\$250,000,000 nominal of the Notes will be U.S.\$670.84.

August 18, 1992, London
By Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

MINICAP

U.S. \$100,000,000
Secured Floating Rate Notes due 2004

Interest Rate: 3.375% D.A. Interest
Period August 16, 1992 to February 18, 1993
Interest Payable per US\$100,000
Note US\$10,000.00

August 18, 1992 (London)
By Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

COMMODITIES AND AGRICULTURE

Most CIS alumina plants 'to become uncompetitive'

By Kenneth Gooding, Mining Correspondent

MOST ALUMINA plants in the Commonwealth of Independent States will become highly uncompetitive as the former Soviet Union allows its energy prices to rise to world levels, some western analysts suggest.

Only two of the CIS's ten alumina plants - Niklaev in the Ukraine and Pavlodar in Kazakhstan - will have any chance of competing with western producers if they have to pay the full cost of energy.

Each of these has the capacity to produce 1m tonnes a year of alumina, the raw material smelted to produce aluminium. Total alumina capacity in the CIS is about 5.5m tonnes.

Western production last year was 5.2m tonnes.

Industry analysts point out that the CIS is under pressure from the International Monetary Fund to lift its energy

costs as part of the economic reform programme on which further IMF financial aid depends.

They calculate that, with full-priced energy, the cost of producing alumina in the CIS smelters ranges from \$250 a tonne to \$400 a tonne. This compares with an average cost of \$130 a tonne in Australia and between \$180 and \$200 in other western countries.

Analysts say not one of Russia's alumina plants will be competitive. They are at Pitkovo (500,000 tonnes a year), Volkhov (50,000 tonnes), Tikvin Plant, Boksitogorsk (350,000 tonnes), Bogoslovsk (900,000 tonnes), Kamensk (300,000 tonnes) and Akinsk (1m tonnes).

Nor would Ukraine's smaller plant at Saporoshye (250,000 tonnes) or the Kirovograd unit in Azerbaijan (200,000) be economic.

Observers point out that the

former Soviet Union's aluminium industry was mainly established to satisfy the country's military needs, no matter what the cost. About 75 per cent of aluminium was used for defence or aerospace equipment or related applications. The CIS would also face difficulties if it wanted to import low-cost alumina from western producers to substitute for its own production. Not only is there not enough equipment at the ports or rail cars to handle a big increase in alumina imports, but the material would have to be transported about 5,000 km (3,000 miles) from port to the CIS's most-efficient aluminium smelters in Siberia.

This is roughly equivalent to a journey from one side of the US to the other and analysts suggest it would cost about \$150 a tonne to the cost of alumina by the time it reached the smelters.

Chilean gold mine to close

By Leslie Crawford in Santiago

SANTIAGO, Chile's third largest gold mine, will be closed down at the end of the year as it has run out of reserves of gold ore. The operators say, however, that they will attempt to extend the life of the mine with a project to extract the more difficult gold sulphides.

The pioneer high-altitude mine, located in the Andes close to the Bolivian border, is owned by Royal Dutch/Shell's Billiton, Northgate Exploration and Citibank. It began production in mid-1988 and produced 100,000 ounces of gold a year between 1989 and 1991 - a tenth of Chile's total output. But further exploration failed to uncover new gold reserves and production is set to fall to 65,000 ounces this year.

Chocomaque was refused permission to continue prospecting in surrounding areas, as the mine is located in the middle of a nature reserve.

Mr Jorge Chanay, Chocomaque's general manager, said extraction of gold oxides would come to a halt at the end of the year because the current low world prices for gold made the operation unprofitable. However, he said the owners were studying new alternatives to keep their \$32.7m investment alive, including the mining of gold sulphides.

Brazilian officials set for coffee talks in Colombia

By Bill Hinchberger in Sao Paulo

BRAZILIAN AND Colombian officials will meet next Monday to prepare for the next round of talks on the International Coffee Agreement, which began in London on September 21. Mr Celso Loder, director of the Brazilian Department of Supply and Prices, one of the leaders of the Brazilian delegation, said that the two countries commonly meet to exchange ideas prior to the London encounters.

Producing countries are frustrated at the lack of progress in the talks, especially as prices now stand at 17-year lows. Mr Loder said that Brazil and Colombia, the two biggest producers, would not be discussing a change in position at next week's meeting. "We don't think that a unilateral producers' accord would be appropriate," he added.

Running faster just to stand still

Quality assurance schemes may soon become necessary for survival

WHEN COMMODITY prices fall and production costs continue to rise producers of these commodities have to respond. The two most positive options are to attempt to cut costs and/or to seek to increase receipts. The third, giving up the struggle and getting out of the business, is being chosen by about 100 UK farmers each week, either voluntarily or because they have been declared bankrupt.

I am told that this is the operation of market forces. Having been a subsidised farmer all my life, I am not really supposed to understand these things. But I am learning fast.

The Ministry of Agriculture's own records show that on average UK farm incomes have fallen in real terms by 50 per cent during the last decade. Furthermore, it has been calculated by the National Farmers' Union that the effect of the recently agreed reform of the European Community's common agricultural policy will be to reduce those incomes by a further 16 per cent over the next three years.

To survive till now has already meant severe cost-cutting for most farmers and this is beginning to show in such things as the advancing age of tractors and the increasing breadth of untrimmed hedges. Those who seek to continue farming, against the apparent odds, will need to reduce expenditure still further. Last year alone, 6,000 farm workers lost their jobs on farms and the manpower exodus seems set to continue.

While all this has been going on, however, the leading thinkers of the various sectors of the industry have been attempting to find ways of increasing and income from commodities sold. It is called better marketing, another concept that is sup-

posed to be foreign to most farmers.

In simple terms, they have sought to identify the qualities consumers most desire in their food and to produce to those criteria. Chief arbiters in most of this have been the big supermarkets, which now claim to retail something between 60 per cent and 70 per cent of all the food consumed in Britain. Nevertheless, in the search for a better price for their beef, cattle, their lambs, their pigs and their poultry products, groups of farmers, seeking to steal a march on their more traditional neighbours, have, over the last year or two, been developing quality assurance schemes. These involve producing animals to specified standards, which they perceive coincide with consumer demand. They include welfare, feed ingredients and slaughter conditions that are usually better than the law requires. In return the producers hope to earn a small premium for their stock.

There are now so many such schemes - each supplying its particular niche market, but still, in total, only representing a minority of farmers - that the whole situation is becoming confused. Fleas are already being made by buyers to try to bring about some harmonisation of the standards. Indeed, to my certain knowledge, the pig industry is attempting to achieve just that.

I suspect that those who produce other classes of livestock may feel the need to do something similar. If they succeed, however, they will, of course, erode the premiums being paid for individual schemes.

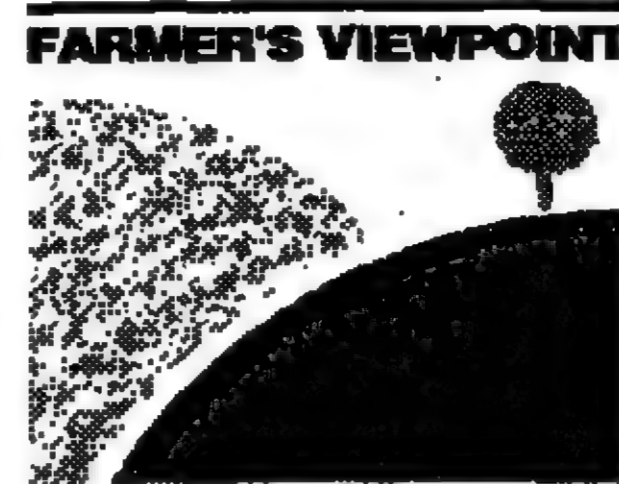
It seems inevitable to me that, as such quality assurance schemes spread across the industry, the standards they set will tend to become the norm rather than the exception. And once supermarkets can readily acquire the quality and the standards they have set, they will be unwilling to pay premium prices.

Only by making the standards more difficult to achieve will those who began the quality assurance movement maintain their price premium. It has to be recognised, moreover, that standards may be tightened anyway, to satisfy the fickle and changing demands of supermarkets and consumers.

That is not likely to prove profitable for producers because most new restrictions placed on production methods will either add to costs or reduce efficiency. The whole reduction assurance business is a treadmill that may become more onerous as time passes.

But that is no reason for a farmer not to get involved in such a scheme. If he hopes to survive in business, that is. For I predict that, before very long, farmers who do not comply with some recognised assurance scheme will have difficulty in selling their stock at all. And if they are able to get rid of it, the price they get will be at discount to that which is quality-assured.

In short, those farmers who survive will have to run faster to stand still. The rest, who are unable to stand the pace, will probably swell the 100 a week who are already getting out of the business.



By David Richardson

NY exchanges plan new home

By Barbara Harrison in Chicago

THREE NEW York commodities exchanges have agreed on a plan to build a new headquarters and trading facility in lower Manhattan.

The Coffee, Sugar and Cocoa Exchange, the Commodity Exchange (Comex), and the New York Cotton Exchange have approved a plan that will cost about \$150m and be funded through a combination

of private finance and the New York City and state money.

City and state funding has been offered because the project is expected to keep some 9,000 jobs in New York. The New York State Urban Development Corporation will invest \$37m and New York City will provide a \$28m grant. The city will also provide a \$2m capital contribution which will be recouped through a combination of enhanced rent and payments in lieu of taxes.

The new seven-storey building will have 51,000 sq ft of column-free trading floor, more than twice the size of the floor in the World Centre, which the three exchanges share at present with the New York Mercantile Exchange, the largest New York market.

Nymex will not be following its neighbours to their new home, but will look for its own new trading space independently. It has favoured New Jersey as a location.

Greek growers set for record cotton and tobacco harvests

By Kerin Hope in Athens

GREEK COTTON and tobacco production are forecast to reach record levels this year after farmers in the north of the country switched crops because of a winter drought.

The cotton crop is expected to reach 875,000 tonnes, a 30 per cent rise from 675,000 tonnes last year. More than 350,000 hectares were planted with cotton this year, compared with about 230,000 in 1991.

"The winter wheat crop this year in Thracas was poor because of reduced rainfall, so a much bigger acreage than usual went to cotton," said a Cotton Board official.

Northern farmers, who grow most of the field crops produced in Greece, are now more

prepared to switch away from cereals. Their incomes have declined sharply following reduced harvests resulting from severe drought in three out of the past four years.

Greek cotton production doubled over the past decade, thanks to improved methods of irrigation and extensive mechanisation. But the crop has remained at about 650,000 tonnes annually for several years as demand from the local textile industry tapered off.

This year's tobacco crop is forecast at 173,000 tonnes, an 8 per cent increase from 160,000 tonnes in 1991. The area planted rose from 84,000 to 100,000 ha, according to the Tobacco Board.

For the first time, production of the Oriental tobacco varieties traditionally grown in

Greece is expected to show a slight decline this year.

More farmers are growing the Virginia and Burley varieties, which sell more quickly on the local market. Production of Virginia tobacco is expected to rise this year by 50 per cent to 60,000 tonnes. Production of Burley is likely to reach 15,000 tonnes compared with 9,000 tonnes last year.

The government has been encouraging the move away from Oriental varieties by providing incentives for farmers to build facilities to dry and store Virginia tobacco.

Cotton and tobacco are among Greece's highest-earning agricultural exports. Cotton exports amount to \$100m in an average year, while tobacco exports are worth more than \$140m a year.

Report urges upgrading of NZ wool exports

By Terry Hall in Wellington

NEW ZEALAND should double the amount of value-added processing of wool by the year 2000 in a bid to ensure the long term viability of the industry, according to a wide-ranging industry study.

It said the industry must develop more "higher value wool" to promote a distinctive New Zealand wool brand and sell aggressively into new markets.

The report was initiated by Mr John Mullock, the minister of agriculture, who last year called for long term strategies to be evolved to bolster the declining fortunes of the wool

industry. This followed the collapse in prices after Australia suspended its price support system in February 1991, causing New Zealand to do the same. Other problems related to the virtual end of sales to eastern Europe and the former Soviet Union, because of currency problems, and erratic buying from China.

Adding to the difficulties have been wild variations in price. The average wool price peaked at NZ\$7.40 a kilogram in October 1989, before plummeting to NZ\$2.50 in February last year, hitting NZ\$3.70 in October before rebounding to NZ\$6.45 earlier this year. This season, which began three

weeks ago began with the indicator at NZ\$4.71 and rose to NZ\$4.82 (21.35) at Thursday's sale in Dunedin.

The report was unusual in that it was the first in which all sectors of the New Zealand trade - farmers, the Wool Board, and brokers - co-operated. It highlighted the declining state of the wool market over the past two decades.

It said that sheep farming profits were at their lowest level for at least two decades. The poor profitability of wool growing was being reflected in falling output that would erode the benefits for New Zealand of being the dominant supplier of certain types of wool.

The report said that the industry must aim for prices to climb above NZ\$6 a kilogram, a level considered necessary to sustain production. It suggested that farmers should concentrate on producing higher value wool, especially fine and premium types.

Greater efforts should be made to boost the amount of wool scoured before export to 85 per cent by 2000. It said the New Zealand industry must manufacture 10 per cent of the clip to final product stage; at present only 4 per cent is treated this way. A further 10 per cent should be turned into intermediate products such as carpet yarn.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER rallied on Comex, with the active September contract jumping by more than 3.50 cents a lb in late trading on heavy fund buying. One trader cited trade short covering prompted by an oversold condition last week. Another trader said locals were caught short and had to cover their positions. The trade was continuing to buy on both the LME and Comex, he said. Prices were underpinned by the continued Polish copper workers strike and improved European demand. ZINC again found good buying on any dip on the LME, with buyers further encouraged by copper's surge. ALUMINIUM was supported by talk that the

London Markets

SPOT MARKETS			
Crude oil (per barrel FOB)			+ or -
Dubai	\$17.55-7.80y	-.055	
Brent Blend (dated)	\$18.00-0.85	-0.05	
Brent Blend (Oct)	\$20.00-0.00	-.020	
WTI (1st oil)	\$21.25-2.30y		
Oil products			
Heating oil (per gallon)	PM prompt delivery per tonne CPO	+ or -	
Platinum Gasoline	\$1718-119		
Gasoline	\$217-158		
Heating Oil Oil	\$20.00-0.00	+1	
Naphtha	\$190-135		
Petroleum Acre Estimates.			
Other		+ or -	
Coal (per dry tonne)	\$337-30	+1.65	
Silver (per dry ounce)	395.50	-	
Gold (per ounce)	\$347.75	+1.35	
Palladium (per dry oz)	\$56.35	-0.15	
Copper (US Producer)	115.50		
Lead (US Producer)	40.00	+0.6	
Zinc (Kuala Lumpur market)	16.50	-0.39	
Zinc (Singapore)	212.50	-	
Zinc (Kuala Lumpur)	62.50		
Cash (five weight)	108.90	-0.94*	
Shipping (five weight)	73.45	-0.47*	
London (dry weight)	80.70	+1.25*	
London (dry weight) (raw)	89.10	+1.42*	
London (dry weight) (refined)	92.00	+2	
London (dry weight) (refined)	92.00	+1.5	
London (dry weight) (refined)	92.00		
Burley (English leaf)			
Malays (US No. 3 yellow)	2148.0	-3.5	
Malays (US No. 2)	2148.0		
Malays (US No. 1)	2148.0		
Malays (US No. 0)	2148.0		
Malays (US No. -1)	2148.0		
Malays (US No. -2)	2148.0		
Malays (US No. -3)	2148.0		
Malays (US No. -4)	2148.0		
Malays (US No. -5)	2148.0		
Malays (US No. -6)	2148.0		
Malays (US No. -7)	2148.0		
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Index	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	9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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses D-Mark gain

THE DOLLAR surrendered an early gain against the D-Mark yesterday as the foreign exchange markets ignored a series of factors that might have been expected to boost the currency, writes James Blitt.

In early European trading, the dollar peaked at DM1.4761 as dealers continued to digest the promising economic news out of Germany. July's figure for wholesale price inflation, down 1.3 per cent on the month, could signal a turning point in the German economy, reducing the need for a Lombard rate rise.

When US trading opened, the good news was forgotten. The dollar dipped well in excess of a penny to a low of DM1.4610, and ended in Europe at DM1.4630, down 55 basis points from Friday. Yesterday's close in New York was DM1.4645.

There is still a creeping uncertainty in the market as to where the dollar is going. In its latest currency report, USBS

Phillips & Drew said the risks to holding dollars will fall over the next month, supporting the US currency at the upper end of the DM1.4500 to DM1.5050 trading range. Others believe that if this week's figure for July M3 money supply in Germany emerges worse than expected, at 9 per cent or above, the market will test the dollar's historic lows again.

A Bundesbank council member compounded the gloom at the weekend, saying the Lombard rate will only be cut when M3 is back in the 3.5 to 5.5 per cent target range, and inflation is below 3 per cent.

Whatever view is taken, the dollar is undeniably weak. Mr Jim O'Neill, head of research at Swiss Bank Corporation in London, said: "There was talk of new military action against Iraq at the weekend, there was talk of a new fiscal stimulus in the US, and the Republican convention is under way in Houston. All this should have led to a strong

ger dollar today. It did not."

By contrast, the markets ought to have seen a much weaker pound on the back of even gloomier UK statistics. The Confederation of British Industry announced a sharp year-on-year fall in retail sales in July and the Bank of England said more than 1m households may be trapped in homes that are less than the value of their mortgage loans. But sterling ended 1/4 pence above Friday's close at DM2.8175. It was nearly a cent stronger against the dollar at \$1.9399.

The Italian lira firmed a little as the effect of Moody's downgrading of Italy's foreign debt wore off. The lira closed at L759.0 to the D-Mark after a previous L769.9. The Swiss franc was firmer against the D-Mark at Sfr9.899, compared with Sfr9.901. A dealer said that uncertainty over European union continued to strengthen the "Swissie" reputation as a secure haven.

£ IN NEW YORK

Aug 17	Close	Previous
1 month	1.9401-1.9255	1.9301-1.9201
3 months	1.9411-1.9301	1.9311-1.9201
6 months	1.9421-1.9301	1.9321-1.9201
12 months	1.9431-1.9301	1.9331-1.9201

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Aug 17	Close	Previous
9.30 am	91.7	91.9
10.00 am	91.8	91.9
11.00 am	91.8	91.9
12.00 pm	91.8	91.9
1.00 pm	91.8	91.9
2.00 pm	91.8	91.9
3.00 pm	91.8	91.9

CURRENCY RATES

Aug 17	Bank & rate %	Special Discounting Rights	European Currency Unit
Germany		0.752722	0.727218
U.S. Dollar	3.00	1.45300	1.38726
Canada	5.50	1.73372	1.65997
Switzerland	5.50	14.9196	14.3262
France	6.50	3.57789	41.9299
Belgium	9.50	8.19347	7.84287
Netherlands	8.75	12.1213	2.03952
Denmark	5.00	3.29760	2.29397
Sweden	8.00	14.9196	6.89953
Italy	13.75	16.6168	15.9279
Japan	3.25	183.905	9.04715
Spain		8.38070	12.2321
Portugal		136.319	130.482
Greece	7.00	7.73577	4.70272
U.K.	7.00	9.4287	8.8717
India	19	N/A	251.524
Philippines		N/A	0.765272

* Bank rates refer to central bank discount rates.
† These are rates quoted by the U.K. Siple and Instinet.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

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4:00 pm prices August 1

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DAILY?**

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

AMERICA

Convention hopes dented in flat trade

Wall Street

HOPES that the Republican convention in Houston would boost the stock market were dented yesterday when a lack of investor interest left share prices little changed, writes Patrick Harrison for New York.

At the close the Dow Jones Industrial Average was down 4.05 at 3,324.89, having spent the entire day moving within a narrow range. The more broadly based Standard & Poor's 500 was up 0.83 at 420.74 and the Nasdaq composite 0.71 easier at 572.47. Turnover on the New York SE was typically light for a midsummer session at just 154m shares.

Before trading opened, analysts had suggested that prices would start firmer on the belief that President Bush's popularity could gain a big boost from the week-long convention. There was also talk that the possible renewal of conflict in the Gulf might also help the president's poll standings.

These hopes never translated into buying, and with many institutional investors staying out of the market during the height of the summer doldrums, share prices drifted uneasily in light trading. Analysts, however, noted that the ex-dividend trading of several large stocks meant that the Dow was a few points lower than it might have been on an ordinary day, and that another sharp fall in bond prices kept optimism in check.

The one bright spot was the airlines sector, which attracted strong demand after Mr Kevin Murphy of Morgan Stanley, a leading industry analyst, was reported to be recommending that now is the best time to buy airline shares, in view of the generally negative coverage of the industry.

Among those receiving a boost were UAL, up \$2 at \$109.34, Delta, 3% firmer at \$61, and USAir, 3% ahead at \$13.4. AMR, parent of Ameri-

can Airlines, lost an early gain. On the American Stock Exchange, amid heavy selling Wang Laboratories plunged 4% further to 3% in turnover of 3.3m shares on speculation that the troubled company will not get an agreed cash injection from IBM that could have been worth as much as \$75m. IBM was up 8% at \$88.4.

Elger Industries jumped 3% to \$10 after a court ruled in its favour on an appeal of a judgment about insurance coverage for a polybutylene plumbing system.

American Health fell 3% to \$26 after the company restated its second-quarter results from a profit of 45 cents a share to a loss of \$2.07 in the wake of a \$54m writedown.

Canada

TORONTO showed a bias to higher levels in continued moderate trading. The TSE 300 index finished 11.3 firmer at 3,379.8, while rises outpaced declines by 286 to 231 after volume of 22.3m shares.

Nine of the 14 sub-indices gained ground, with the most significant rises in gold, up 1.53 per cent, and mining, 1.18 per cent ahead.

TransAlta Utilities, up 3% at \$31.44, reported slightly higher six-month earnings. Corel Systems said it has filed to offer about 2.1m common shares for sale in the US and has applied for a listing on the National Market System of the Nasdaq. The stock was unchanged at \$31.94.

SOUTH AFRICA

JOHANNESBURG staged a technical rally, the overall index rising 35, or 1.1 per cent to 3,174 following last week's 6.8 per cent drop. A firmer bullion price, a weaker financial rand and institutional bargain-hunting helped gold rise 28, or 3 per cent, to 964; industrials up on 30 to 4,003.

EUROPE

Early rally peters out on lack of buying interest

FT-SE Eurotrack 100 - Aug 17

Hourly changes		1 pm	2 pm	3 pm	close
Open	10.30am	11 am	12 pm		
1047.72	1048.22	1046.30	1044.77	1044.30	1044.52
				1044.12	1045.00
Day's High		Day's Low		1043.62	
Aug 14	1042.13	Aug 13	1035.59	Aug 12	1037.76
				Aug 11	1044.92
				Aug 10	1049.58

Base value 1000 (28/10/90)

virtual halving of money supply growth, and inflation below 3 per cent.

Mannesmann stood out among the day's declines, falling DM5.30 to DM267.30 ahead of Tuesday's first half results. Luftansa recovered DM2 to DM93, after an intraday high of DM97; yesterday, Germany's DAG white-collar union offered the airline a package of cost-savings which, it claimed, were worth DM500m.

PARIS had its thinnest day's trading since January 4, 1991, as volume came to a paltry FRF933m. The CAC-40 index came off the day's low of 1,741.38 on rumours that a new poll on the euro would show support for the treaty, closing up 3.85 at 1,757.31.

ASIA PACIFIC

Tentative recovery in Nikkei as Pacific Rim slides

Tokyo

THE NIKKEI average broke back above 15,000 on early index-related buying yesterday, but profit-taking subsequently eroded some of the gain, writes Emilio Terazono in Tokyo.

The index closed at 15,093.00 ahead of 14,829.55 after opening at the day's low of 14,854.88 and rising to a high of 15,122.84 in the morning session. Advances outscored declines by 709 to 213, with 125 issues unchanged.

Volume, however, dropped to 140m shares from 282m. The Topix index of all first section stocks gained 9.38 at 1,132.51, but in London the ISE/Nikkei 50 index eased 0.46 to 936.15.

Reports that Mr Kiichi Miyazawa, the prime minister, had expressed his "grave determination" to boost the economy triggered bargain hunting and short-covering by traders. Mr

Miyazawa met Mr Gaishi Hiraiwa, chairman of the Keidanren business federation, on Saturday to discuss measures to counter the current economic slowdown.

The meeting, however, did not produce new proposals, and Mr Miyazawa reiterated plans to implement an economic stimulus package this autumn. He promised to study ways to reduce the tax burden on property and equity investments, and to consider the government's purchase of land needed for state projects.

Activity centred on position adjustment by dealers. Shares which were previously hit by negative news rebounded on buy-backs. Nippon Housing Loan, the most active issue of the day, advanced Y22 to Y140. The leading home loan company faces mounting bad debts, and had been requesting a cut in interest payments to its creditors. Reports that Nip-

pon Housing Loan's nine founder banks had agreed to its restructuring programme prompted buying.

High-technology issues gained ground. Toshiba rallied Y19 to Y564, rising for the first time in eight trading days. Dealers said the issue was seen as a signal that the government had decided to ease its stance on the previous seven days. Hitachi appreciated Y7 to Y752 and Fujitsu put on Y5 to Y546. In contrast, NEC lost Y9 to Y761 on fears that the company may drastically revise down its annual earnings forecast.

Brokerage houses were weaker on concern ahead of the interim book closing. The low turnover in the Tokyo stock market is hurting the industry, and most brokers are expected to post losses for the first half.

Nomura Securities receded Y20 to Y1,210 and Daiwa Securities retreated Y14 to Y896.

In Osaka, the OSE average improved 194.38 to 15,964.60 in volume of 10.8m shares.

Roundup

FEARS of conflict between the US and Iraq were blamed for the relatively heavy declines in some of the region's markets.

HONG KONG also reflected disappointment with results from domestic blue chip companies. The Hang Seng index shed 154.74, or 2.7 per cent, to 5,667.55, its biggest setback this year, in turnover down from HK\$4.47bn to HK\$2.26bn.

Banks were among the hardest hit. HSBC and its Hang Seng Bank subsidiary both slid HK\$2.32 to HK\$51.50 and HK\$2 respectively. A measure of the mood was that Hang Seng's 22 per cent profits rise, reported last week, was among the "disappointing" results.

TAIWAN added domestic political struggles to its inter-

ELECTRONIC trading on the Athens Stock Exchange got off to a disappointing start yesterday, with the index losing 1.61 to 779.36.

Greece's five biggest banks were the first issues to be traded on the screens installed on the trading floor. Prices of all but one bank declined slightly, and trading volume also fell.

Insurance, commercial and industrial shares, still traded by open outcry, all went down but by a smaller margin than the banks.

Brokers said the new system's failure to stimulate activity reflected anxiety about a new Gulf crisis, as well as concern that the govern-

ment is planning further austerity measures. This month, the market has fallen to its lowest level since 1990, as daily volume has dropped below 100m shares.

Mr Nikitas Niarchos, the bourse president, said screen-based trading will be expanded until "all the most active stocks are included, probably by the end of the year".

It will be some time before the system's capacity to handle 40,000 orders an hour is tested. The system was developed by Fison Associates, of the US, at a cost of almost \$4m, with part of the funding provided by the European Community.

SKR330m.

Ericsson B rose SKr2 to SKr116 after last week's weak-

ness and on hopes that its six-month report, due on Thursday, will beat expectations.

VIENNA leapt more than 5 per cent on a long-awaited technical reaction to its summer slide. The 18-share ATX index rose 37.43 to 733.51 and the all-share Vienna bourse index gained 12.16 to 354.68.

ISTANBUL started the week mostly lower on profit-taking after last week's gains. The 78-share index lost 27.45 to 4,076.98.

STOCKHOLM was largely unchanged, a morning rally fading after a rise in domestic interest rates, and on the softer dollar. The Affarsvarden General index fell 2.5 to 820.7 in thin turnover of SKr323m after

the share suspension caused by a computer failure earlier in the day. The market, extremely quiet before the interruption, will re-open as normal today. The CBS Tendency Index rose 0.4 to 113.7.

Recent losers rose on bargain-hunting with Daf rising 80 cents to F118.10 and Hoogovens 30 cents firmer at F138.20.

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Singapore bears brunt of bearish week

MARKETS IN PERSPECTIVE						
	% change in local currency ↑			% change in US \$	% change in US \$	
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	
Austria	-3.55	-14.60	-30.97	-17.95	-17.22	
Belgium	-4.26	-6.99	-8.32	-5.33	-2.20	
Denmark	-1.01	-7.34	-24.72	-16.15	-14.56	
Finland	-4.20	-11.51	-34.27	-14.84	-14.57	
France	-1.17	-2.48	-1.16	-0.05	+1.60	
Germany	-3.85	-10.26	-10.07	-4.71	-3.90	
Ireland	+0.03	-4.74	-13.95	-10.22	-9.36	
Italy	-5.91	-10.07	-27.37	-20.75	-20.37	
Netherlands	-0.13	-2.07	-0.79	+2.89	+6.38	
Norway	-2.44	-9.46	-35.21	-15.84	-15.18	
Spain	-3.65	-6.84	-21.96	-16.17	-15.94	
Sweden	-2.99	-5.37	-18.48	-2.66	+1.46	
Switzerland	-1.50	-1.47	+2.08	+7.40	+7.31	
UK	+0.26	-3.63	-10.44	-5.75	-3.46	
EUROPE	-1.44	-4.95	-10.01	-6.12	-4.61	
Australia	-2.46	-5.20	-2.72	-7.94	-14.79	
Hong Kong	-1.04	-6.33	+41.23	+35.81	+33.42	
Japan	-4.32	-9.93	-36.10	-33.71	-35.95	
Malaysia	-3.53	-5.45	-2.02	+5.80	+6.38	
New Zealand	-5.86	-10.48	-2.63	-5.51	-11.93	
Singapore	-8.26	-13.01	-10.85	-16.62	-18.14	
Canada	-1.17	-3.00	-6.71	-5.03	-10.12	
USA	+0.24	+1.24	+8.04	+0.74	+1.86	
Mexico	-1.84	-6.71	+27.14	+0.35	-0.09	
South Africa	-7.99	-11.23	-11.45	-9.98	-26.08	
WORLD INDEX	-1.51	-3.75	-10.92	-11.25	-13.21	

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By Antonia Sharpe

Singapore suffered the most in a generally bearish week for world equities, dropping 8.3 per cent in local currency terms against a decline of 1.5 per cent in the FT-Actuaries World Index.

The fall in Singapore was triggered by concern about rights issues, following cash calls from two banks, OCBC and OUB, as well as a realisation that the economy is slowing down, says Mr Michael Franklin, a director at Kim Eng Securities.

Other stocks came under pressure as institutions took their profits in a thin market. Mr Franklin says the market looks vulnerable from a technical point of view, since there is little support for the Straits Times Industrial index below 1,300. The index closed at 1,334.42 yesterday.

The week's second-worst performer was Johannesburg, which weakened 8 per cent following a dividend cut warning last Tuesday from De Beers, one of the most dominant com-

ponents in the overall index.

One analyst says the market has also been depressed by a 1.3 per cent year-on-year fall in Gross Domestic Product in the June quarter, the ninth consecutive quarter of negative performance and the sharpest decline since the first quarter of 1986.

He adds that no improvement in the economy, poor results from the retail sector and little prospect that the ANC and the government will return to the negotiating table have caused local institutions to shy away from equities. "There is a realisation that profits at industrial companies are declining and that there is no dividend growth," he explains.

The reality, or the expectation, of disappointing results from bellwether companies were also to blame for the 4.3 per cent fall in Brussels in the wake of poor first-half figures from Petrofina, while New Zealand lost 5.9 per cent on fears that Fletcher Challenge would announce large cuts in its annual meeting this week.

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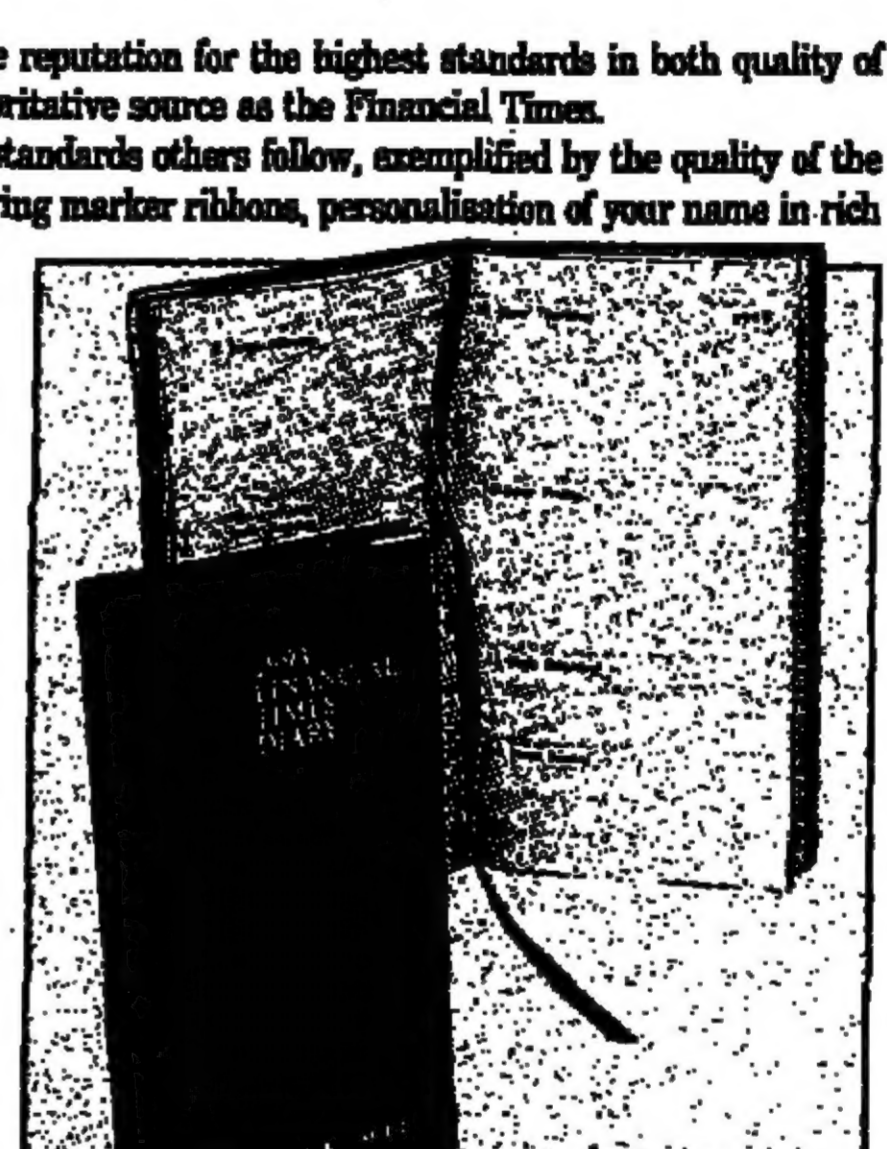
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